

Page 1 of 1

Acacia	Sch 15	Indonesia	Rp 2500	Peru	So 0.05
Bahamas	Da 0.050	Italy	Lira 1100	S. Arabia	Rs 0.09
Bahamas	Rp 15	Japan	Yen 100	Singapore	S\$ 4.10
Canada	C\$2.50	Kenya	Sh 500	South Africa	Rand 95
Cyprus	£100	Laos	£100	Sweden	Sk 0.50
Denmark	Dkr 7.00	Libya	£100	Switzerland	Sfr 2
Egypt	£100	Luxembourg	£100	Taiwan	Nt 50
Finland	Fmk 5.00	Malaysia	RM 4.25	Tanzania	Da 0.050
France	FFr 5.00	Mexico	Ps 200	Turkey	Lira 1.00
Germany	DM 2.00	Morocco	Da 0.050	U.A.E.	Da 0.50
Greece	Dr 0.05	Netherlands	Fl 2.25	U.S.A.	\$1.50
Hong Kong	HK\$ 12	Norway	Nkr 6.00		
India	Rs 15	Philippines	Php 20		

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,173

Wednesday November 16 1983

D 8523 B

Chinese hint of elections in Hong Kong, Page 4

## NEWS SUMMARY

### GENERAL

#### Peking 'would allow HK elections' in month

China has indicated it would allow the people of Hong Kong to elect their own leaders after British hands over control of the colony.

An economic advisor to the present ruling state council, Professor Qian Junru, says that the introduction of elections would help Hong Kong expand its position as a major free port and international financial centre, and become more prosperous. Official Chinese news agency Xinhua published his comments yesterday.

Hong Kong is run by its British governor, assisted by executive and legislative councils, both consisting of official and unofficial members. The implication of the Chinese proposal is that elections would be more substantial than those conducted for party positions in China.

Page 4

### BUSINESS

#### Israel: inflation 21.1% in month

ISRAELI inflation rate rose a record 21.1 per cent in October, reaching 154 per cent. Page 4

DOLLAR showed little change, closing at DM 2.6765 (DM 2.676), Ffr 8.342 (Ffr 8.34), Sfr 2.161 (Sfr 2.1625) and Y234.35 (Y234.35). Its trade weighting rose from 127.5 to 127.9. In New York, it closed at DM 2.6735; Sfr 2.1595; Y234.3; and Ffr 8.1325. Page 43

STERLING rose 5 points to 514.55, and to DM 3.5775 (DM 3.5765), Ffr 12.06 (Ffr 12.07), and ended to Sfr 2.3225 (Sfr 2.3245), and Y348.25 (Y348.25). Its trade weighting slipped from Monday's 54 to 53.8. In New York, it closed at 514.67. Page 43

GOLD rose \$1 in London to \$383.125, it went up \$0.75 in Frankfurt to \$383.5, and by \$1 in Zurich also to \$383.5. The New York Comex November settlement was \$382.9 (382.6). Page 43

LONDON: FT Industrial Ordinary index ended 0.1 to 727.3, and Government securities showed modest falls. Report, Page 31. FT Share Information Service, Pages 38, 39

#### Minister sprayed

UK Defence Minister Michael Heseltine was sprayed with red paint by anti-nuclear protesters at Manchester University. Page 12

#### Rebuke from Kohl

West German Chancellor Helmut Kohl rebuked supporters of right-wing leader Franz-Josef Strauss who are campaigning to get him a top government job. There is no reason for a reshuffle, said a Kohl aide. Page 2

#### S. African resignation

South Africa's most senior minister after Premier P.W. Botha, Manpower Minister Fanie Botha, 61, resigned over financial allegations.

#### U.S. captain killed

Captain George Tsanetis, head of the naval section of the U.S. aid mission to Greece, was shot dead by two men while being driven to work in Athens. His Greek driver died of wounds later. Page 2

#### Israel optimism

Israeli military sources said its high command did not believe an outbreak of war with Syria was imminent, despite a large increase in Soviet arms shipments to that country.

#### Soviet jets buzzed

Three Soviet Tupolev bombers circled in Japanese airspace for about 90 minutes, prompting 18 Japanese fighters to "buzz" them. Japan yesterday lifted air sanctions against the Soviet Union imposed after the shooting down of a South Korean airliner on September 1.

#### Indian walkout

Opposition parties walked out of India's parliament, accusing the ruling Congress Party of trying to topple the government of the southern state of Karnataka by bribing a Janata Party MP to change sides.

#### Civilians captured

Angolan UNITA rebels said they had captured five British and 12 Portuguese citizens in attacks on Angolan Government positions.

#### Afghan rebels killed

Between 50 and 80 Afghan guerrillas were killed in an attack by government helicopters and MiGs. Western diplomats in Ahmedabad said.

#### Briefly...

Brooke Knapp set off from Los Angeles in her bid to become the first woman pilot to fly over both the poles in one flight.

French riot police flew to Caribbean island Guadeloupe after bomb attacks there. Page 7

## Ankara recognises Turkish Cypriots' 'independent state'

BY ANDREAS HADJIPAPAS IN NICOSIA AND ANDRIANA IERODIACONOU IN ATHENS

The Turkish administration in northern Cyprus yesterday declared its part of the divided island an independent state, provoking a storm of condemnation from the Greek Cypriot Government in Nicosia, and from Britain, Greece and the United States.

Turkey, after initially expressing surprise at the declaration of independence, formally recognised the Turkish Republic of Northern Cyprus after a 24-hour extraordinary meeting of the country's ruling generals.

Mr Spyros Kyprianou, President of the Greek Cypriot Republic, called on the world to condemn the Turkish Cypriots' secessionist move and dispatched Mr George Iacovou, his Foreign Minister, to the United Nations in New York.

Mr Kyprianou made telephone calls to the prime ministers of Greece and Britain, both guarantors of the island's independence and integrity under the 1960 treaties of independence.

The UN security council was due to hold closed-door consultations late last night at the request of Cyprus and Britain. Mr Victor Ganci, the Maltese president of the council, said a formal meeting was likely to be held today.

Sir Geoffrey Howe, the British Foreign Secretary, told the House of Commons that the Government "deplored" the Turkish Cypriots' declaration of independence. But Sir Geoffrey ruled out the use of force. "It is not a military matter," Mrs Margaret Thatcher had earlier tried to dissuade President Kenan Evren of Turkey from recognising the secessionist state. The Government also said it would consult its EEC partners as well as its NATO allies.

The Turkish Republic of Northern Cyprus was declared by a unanimous decision of the 40 members of the Turkish Cypriot federal assembly yesterday morning.

Mr Rauf Denktaş, their leader, said the new state would be non-aligned, would not join any military bloc and would not unite with any other state. He also left the door open to new negotiations with the Greek Cypriots "on the basis of equality" and under the auspices of the UN Secretary-General.

Mr Hugo Gobi, the Secretary-General's special representative on Cyprus, said the Turks' action would "paralyse" any chance of arranging new meetings between the

## Geneva talks to continue despite arrival of cruise

BY BRIDGET BLOOM IN LONDON AND ANTHONY MCDERMOTT IN GENEVA

THE SOVIET Union has agreed to continue the Geneva talks on medium-range nuclear weapons despite the arrival in Britain this week of the first of the new U.S. cruise missiles.

U.S. and Soviet negotiators met for only 35 minutes yesterday, the shortest session in the two-year-old negotiations. But the Soviet delegation agreed to return to the talks on Thursday.

The future of the talks has seemed precarious since Mr Yuri Andropov, the Soviet president, threatened last month that Moscow would pull out when the new U.S. missiles "appeared" in Europe.

It has never been clear whether a Soviet walkout would be precipitated by the actual arrival or by the later phase of the operational deployment of the missiles. But some Western officials believe that, with their failure to break off the talks yesterday, the likelihood of Soviet withdrawal from the talks has now receded.

The officials see the possibility that the talks could be made to drag on until early next month, when both sides could accept a recess for Christmas.

However, the Soviet Union is apparently not formally committed to continuing the negotiations beyond tomorrow, when the U.S. expects a formal reply to new proposals put forward on Monday by Mr Paul Nitze, the U.S. negotiator.

The proposals, described as an elaboration of President Reagan's September 26 offer, suggested a global ceiling of 420 warheads on U.S. and Soviet medium-range missiles.

The effect of such a proposal would be to give the U.S. and the USSR an equal number of nuclear warheads on their missiles in Europe, leaving the Soviet Union with a monopoly of such missiles in the Far East. The balance between the two areas is probably two to one.

The offer was put forward by the U.S. less in the hope that it would be accepted at this stage than be

## Tripoli ceasefire collapses as rebels attack Arafat forces

BY PATRICK COCKBURN IN BEIRUT

PALESTINIAN dissidents trying to oust Yasser Arafat as chairman of the Palestine Liberation Organisation (PLO) yesterday made their fiercest attack yet on Baddawi refugee camp on Tripoli's northern outskirts.

The assault by the Syrian-supported rebels was beaten back, according to Mr Arafat's men, who say three Syrian battalions were involved, with 60 T-54 and T-42 tanks. They also claim that 13 tanks were destroyed.

Heavy shelling accompanied the final collapse in Tripoli of the ceasefire, agreed six days ago but never fully enforced.

Arafat loyalists say they took 50 prisoners including Syrian commanders. That provides the first proof that Syrian troops have been fighting in the front line, although their artillery has supported the PLO rebels.

A PLO communiqué from their headquarters in Tunisia said yesterday that Colonel Salah Maani, military commander of Saïda - a guerrilla organisation recruited from Palestinians in Syria - had been killed, and another senior rebel dissident wounded.

Shells fell in Tripoli itself, and 13 dead and 75 wounded were taken to local hospitals. Four had been killed by a single shell, which fell near Mr Arafat's headquarters.

The assault shows that Syria has not renounced its determination to oust Mr Arafat as PLO leader, despite the uprisings of other Arab states and of the Soviet Union. Mr Abdul-Halim Khaddam, the Syrian Foreign Minister, is said to have rebuffed a Soviet plea in Moscow last week for him to reach an understanding with Mr Arafat.

The fighting yesterday is believed to have caused fresh damage to Tripoli refinery. The 35,000 barrel-a-day refinery has had 24 storage tanks and three liquefied gas tanks hit in the fighting, and the fires are still burning.

In and around Beirut, the seven-week ceasefire continues to become less effective, with rockets and shells hitting Christian East Beirut from Druze positions in the moun-

## Industrial output at peak in U.S.

By Stewart Fleming in Washington

INDUSTRIAL production in the U.S. reached a peak in October, finally surpassing its previous high, recorded in July, 1981, before the economy slipped into recession.

The rate of increase during the month was the slowest since February, however, with the index rising 0.5 per cent to 154.8. That compares with a revised 1.3 per cent increase in September and the 2.3 per cent increase in July, the strongest gain of the year.

October's figure, although slightly lower than some economists had been expecting, will reinforce expectations that the pace of the economic expansion will moderate slightly in the fourth quarter. After gains of 0.7 per cent and 0.9 per cent in real terms in the second and third quarters, many economists predict that real growth in the fourth quarter will be around 0.6 per cent to 0.7 per cent.

Earlier this week, the Commerce Department reported that in September the rate of growth of stock-building also began to ease. Restocking has been one of the main factors behind the strong second and third-quarter growth of gross national product (GNP).

While a more moderate rate of economic expansion is widely predicted, few economists are expecting that to result in any fundamental shift in the Federal Reserve Board's monetary policy.

The policymaking arm of the Fed, the Open Market Committee, was meeting yesterday to chart the monetary policy course over the next month amid expectations in the financial markets that monetary policy would be left essentially unchanged.

Many economists believe that the Fed is focusing much of its attention on the broad economic outlook, and suspect that it will decide that the economy is strong enough not to need any further stimulation from the monetary side. On the contrary, it is thought that the Fed will welcome some easing in the pace of the economic expansion on the ground that the current rate is not sustainable in the long term without adding to inflationary pressures.

In its analysis of the industrial production figures yesterday, the Fed said that output of durable consumer goods edged up only 0.1 per cent in October. There was, too, a slight decline in the annual rate of automobile production, reflecting, it suggested, a shortage of parts.

## Toshiba video move boosts VHS format

BY JASON CRISP IN LONDON AND CHARLES SMITH IN TOKYO

TOSHIBA, one of the leading Japanese companies making video cassette recorders using the Sony-developed Beta format is to make and sell VCRs in Europe using the rival VHS system developed by JVC.

The decision is the second major boost for the VHS system in the past few days and puts beyond doubt its position as the dominant format throughout the world.

At the end of last week Philips and Grundig, the main supporters of the third rival format (V2000), announced they would also manufacture VHS video-recorders, for sale outside Europe.

The three rival systems, which are incompatible with each other, have been in fierce competition to establish themselves as the standard. With the exception of West Germany and the Benelux countries the Philips-developed V2000 format has fared badly. Market research in Europe indicates that both Beta and V2000 formats have been losing ground in recent months.

Toshiba, which is to make the VCRs in Plymouth, south-west England, acknowledges that VHS is the dominant system in Europe. But it also reaffirmed its commitment to Beta in other parts of the world, including the U.S. and Japan.

The company will assemble 10,000 VCRs using the VHS format a month at its Plymouth factory, where it makes colour televisions.

It will continue to supply the European market with Beta format recorders from Japan.

Toshiba employs 450 at Plymouth producing 200,000 television sets a year. It will take on a further 50 people to assemble the VCRs. Toshiba is the fourth Japanese company to say it will make VCRs in the UK.

The largest manufacturer of VCRs in the UK is J2T, a joint venture between JVC, Thorn EMI of the UK and Telefunken, now part of France's Thomson-Brandt. Sanyo and Mitsubishi are also about to start assembling VCRs in Britain.

The Toshiba announcement coincides with the start of talks in Japan between Viscount Etienne Davignon, the EEC Commissioner for Industry, and Mr Sosuke Uno, Japan's Minister for International Trade and Industry, of Japanese VCR exports to Europe.

Last year the EEC and the Japanese ministry (Mit) reached a controversial agreement to limit Japanese VCR exports to the Community to 4.5m units. This was widely criticised as a protective measure to help Philips and Grundig keep their share of the market with their V2000 system.

The British and West German governments were unhappy with the agreement. One of the problems was that the restriction on machines included kits, which meant

## 3M's wholly owned plant first in China

BY TERRY DODSWORTH IN NEW YORK

MINNESOTA MINING & Manufacturing (3M) of the U.S. has broken new ground in Western trading relations with China by reaching agreement to set up a wholly owned manufacturing subsidiary in that country.

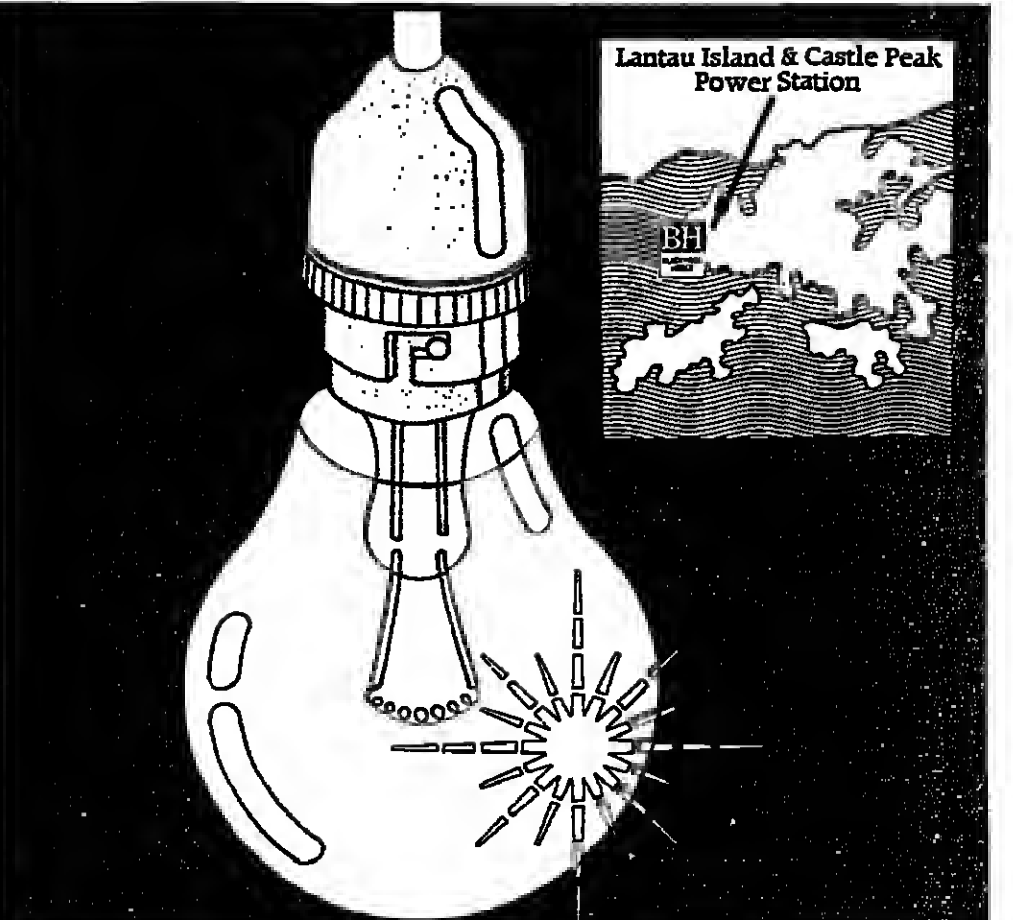
Previous foreign investments in modern Chinese production operations have been only on a joint venture basis. "In working with us to start a foreign-owned company in China, the Chinese authorities are demonstrating their willingness to consider new forms of foreign investment," Mr Lewis Lehr, 3M's chairman and chief executive, said yesterday.

The company refused to disclose the amount of its investment, which is being funded entirely by equity injected by the parent organisation. The plant will be modest to begin with, employing only about 30 people in the manufacture of splicing and connecting products for the telecommunications and electrical industries.

The group is hoping, however, to expand rapidly in a market where there is no real competition for its products. At the moment, Chinese manufacturing in this field is highly labour-intensive and uses only local materials, Mr Gary Pint, group vice-president for the electrical production division, said yesterday.

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### Blackwood Hodge helping Hong Kong keep the lights on

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## EUROPEAN NEWS

## RESORT TO INTERNATIONAL CAPITAL MARKETS WILL BE CUT

## France manoeuvres on loan terms

BY DAVID MARSH IN PARIS

THE FRENCH Treasury is playing a finely-balanced poker game with international banks to win favourable conditions on the country's foreign borrowing programme next year.

After two years of heavy borrowing abroad to finance large deficits in the current account balance of payments, the Treasury plans to lower its recourse to the international capital markets in 1984.

Partly in a bid to whet foreign bankers' appetites for French credits, it is reducing foreign borrowing drastically between now and the end of the year.

Euro-market bankers say the move is partly justified by the sharp improvement in the current account, which was roughly in balance during the latest two quarters. They also point out, however, that public sector institutions will have to continue heavy borrowing next year to help finance their own operat-

ing deficits and to cover France's considerable foreign debt service charges.

France's gross foreign indebtedness—not taking account of its own considerable foreign exchange reserves and other international claims—is estimated by bankers at \$60bn (\$40bn) at least, roughly doubling over the past two years.

M. Jacques Delors, the Finance Minister, yesterday put the gross foreign debt at \$48.3bn as of June 30 (FFr 369bn at FFr 7.60 to the dollar). This was before the Government drew the proceeds of its \$3.7bn foreign loan arranged through the EEC, which has added both to the overall debt and to France's foreign exchange reserves during the summer.

The end-June net foreign debt, taking account of foreign claims, was around \$18.4bn. M. Delors said yesterday.

Bankers say that the state

financing body Credit National is currently seeking \$900m in an international loan, down from the \$600m earlier expected, and this is likely to be the last major foreign fund-raising this year by a public sector borrower.

With a current account performance that could still show a deficit of up to FFr 30bn (\$2.5bn) next year and foreign debt repayments estimated at around FFr 20bn, France will still have need of a sizeable foreign borrowing programme.

Foreign bankers admit that the Treasury has managed France's borrowings cleverly this year by using predominantly the international bond markets and avoiding undue recourse to syndicated bank loans.

"A lot of banks are offering the Treasury attractive terms," says a second London banker. But even though the Government is asking heavy borrowers

like Electricité de France or the state railways SNCF to turn more to the domestic bond market for their 1984 financing needs, he says: "We still see a lot of French foreign borrowing coming up for 1984. They'll all be on the starting blocks in the new year."

Another Euro-market banker put French borrowing needs next year at around \$10bn at least—not much less than this year, although heavily down from the more than \$20bn in 1982.

M. Michel Camdessus, Director of the Treasury, said that France would make use of early repayment clauses in Euro-market loans where the opportunity arose, as soon as appropriate. Bankers feel France might want to prepay some earlier Euro-market borrowings particularly to space out an anticipated "bunching" of loans falling due in the mid-1980s.

## Landmarks on the road to partition

1914—Britain annexes the island.

1925—Cyprus given status of Crown Colony.

1955, April—Greek Cypriots begin a guerrilla campaign against British.

1960, August—Cyprus becomes independent republic. Under the Treaty of Guarantee signed by Cyprus, Britain, Greece and Turkey, union with Greece is precluded and Britain retains sovereignty over its military bases on the island.

1963, December—Clashes between Greek and Turkish Cypriots when President Makarios tries to modify the constitution. First a joint force of British, Greek and Turkish troops, later a UN peace-keeping force, sent to Cyprus.

1968, June—Greek and Turkish Cypriots start talks in Cyprus but without success.

1974, July—Coups staged in Cyprus by members of Greek ruling junta to overthrow President Makarios. It was short lived, and President Makarios, after fleeing the island, returned in December.

1974, July and August—Up to 40,000 Turkish troops invaded the island and in two swift campaigns annexed the north, 40 per cent, 200,000 Greek Cypriots fled south. UN resolution calls for withdrawal of all foreign troops.

1975, February—Turkish Cypriot Federated State proclaimed.

1983, August—St. Javier Perez de Cuellar, UN Secretary-General, puts forward new proposals which would give the Turkish minority better constitutional rights in exchange for land. These moves eventually backed by Britain and Greece.

## Britain condemns Turkish Cypriot independence move

BY STEWART DALEY

BRITAIN HAS strongly condemned the unilateral declaration of independence by the Turkish Federated State of Cyprus yesterday. It called for urgent consultations with Greece and Turkey, the other two guarantors of Cyprus independence, granted in 1960, and said it would consult its EEC partners and Nato allies. Both Greece and Turkey are members of the alliance.

Sir Geoffrey Howe, the Foreign Secretary, told Parliament that the Government deplored the Turkish Cypriots' decision. The declaration was incompatible with the Treaty of Guarantee, he said.

Mrs Margaret Thatcher, the Prime Minister, is understood to have been in touch by telephone with President Spyros Kyprianou of Cyprus and to have urged President Kenan Evren, the Turkish leader, not to recognise the state.

Turkey, however, did recognise it formally last night, but few other countries seemed likely to follow its lead. It was the only country to recognise the Federated State when it was formed following the invasion by 40,000 Turkish troops in 1974. Ankara maintains an esti-

mated 25,000 troops on the partitioned island, which has a population of 498,000. Greek Cypriots and roughly 120,000 Turks. The Turkish Cypriots occupy 40 per cent of the island.

The U.S. expressed surprise and dismay over the declaration. A State Department spokesman said: "We have consistently opposed a unilateral declaration of independence by the Turkish Cypriot community, believing it would not be helpful to the process of finding a final negotiated settlement to the Cyprus problem." This view was echoed by other Western diplomats.

Last August, St. Javier Perez de Cuellar, the UN Secretary-General, launched a new initiative which would have given Turkish Cypriots greater constitutional rights under a revolving presidency in return for some land concessions.

Under Article 4 of the Treaty of Guarantee, Britain, Greece and Turkey are required to hold discussions if anything occurs to disturb the status quo on the island. Any of the three can act independently if joint action is impossible.

Editorial comment, Page 24. Feature, Page 25.

## Ankara aims to stem U.S. attempts to block aid

BY OUR ANKARA CORRESPONDENT

DECLARATIONS of surprise—but not extreme disapproval—in Ankara greeted the proclamation of unilateral independence (UDI) by the Turkish Cypriot leader, Mr. Rauf Denktaş.

Turkey's immediate aim is not to stop its enemies in the U.S. Congress in Washington from restricting or blocking \$715m (\$490m) in military aid under the defence co-operation agreement with the U.S.

Turks, however, feel there is relatively little chance this time around of a repetition of the 1975 Congressional embargo on U.S. arms sales to Turkey which followed the original declaration of Turkish Cypriot statehood.

The victor of last week's General Election, Mr. Turgut Ozal and his Motherland Party, have followed the official line in professing to regard the decision as a purely Turkish Cypriot affair.

It is hard to believe, however, that Mr. Denktaş, a veteran ally of the Turkish military, took this decision without reaching at least a tacit understanding with the Turkish commanders on the island.

Which maintains an estimated 25,000 troops in northern Cyprus, has spent the summer carefully staking out a position over UDI designed to convince potential critics in

the U.S. Congress that it has not given it the green light.

However there had been no signs in response to repeated pledges by Mr. Denktaş since May to declare UDI of any practical measure from Ankara to deter him.

It must have been evident to most mainland Turkish newspaper readers for several weeks, that UDI was, at most, only weeks away. Mr. Denktaş's statements in the last two months left little alternative prospect.

One leading question is how he has managed to overcome long-standing mainland Turkish fears that a partition of the island may lead eventually to a substantial Greek offensive military presence in the eastern Mediterranean.

Inside Turkey there has been relatively little interest among the general public in a Turkish Cypriot UDI even though public opinion is being cited as a reason why the Ankara government could not put up a stiffer resistance to Mr. Denktaş's moves to independence.

Turkey will press its closer allies in the Moslem world, including Pakistan and Bangladesh, to recognise the new Republic, though there are few illusions that many other countries will follow suit.

## Dutch minister may seek compromise over pay cuts

BY WALTER ELLIS IN AMSTERDAM

MR. KOOS RIETKERK, the Dutch Home Affairs and Civil Service Minister, was said yesterday to be ready to discuss a possible compromise that could end the present wave of strikes and work-to-rule by public sector employees.

He was prepared to adjust the extent by which public sector pay would be cut next year—at present fixed at 3 per cent—in return for trade union agreement on shorter working weeks. Talks between the two sides resumed yesterday evening in The Hague after an

interval of nearly two weeks. The unions have already concluded various agreements with public and private employers on reducing the number of hours worked by their members. But Mr. Rietkerk would like to expand these agreements across the public sector with a view to fixing the average working week at 32 hours by 1990.

By this means, at least until the public sector was able to start taking on new staff to fill the gaps created, the public wage bill would be reduced and the need to cut salary rates would lessen.

Union leaders have said that they are only interested in bringing down the level of cuts for 1984, while the Government has insisted that all that remains to be discussed is the level of cuts for 1985 and 1986.

## EEC Left split on missile deployment

By John Wyles in Strasbourg

SHARP divisions within the European left over the deployment of U.S. cruise and Pershing missiles were highlighted yesterday in the European Parliament.

As a result, the parliament looks likely to provide a large majority in favour of deployment in a vote today which underlines the uneasy termination to deal with major political issues which have no direct relevance to the Treaty of Rome and the EEC.

The left's disarray on deployment stems largely from the unwillingness of French and Italian Socialists to support calls for a delay in the stationing of missiles to allow more time for the U.S.-Soviet talks in Geneva to seek a solution.

Both groups are thus staying loyal to their national parliaments. President Mitterrand's Socialist Government in France is a vigorous supporter of deployment, while the Italian coalition headed by Socialist premier, Sig. Bettino Craxi, is committed to installing cruise missiles in Sicily in the spring.

By contrast, the West German SPD members of the European Parliament and the British Labour group are strongly opposing deployment. They will be supported today by the French and Italian Communists.

The immediate focus of yesterday's debate was the proposal tabled in August by the Greek Government, as president of the EEC's Council of Ministers, to delay missile deployment for six months to ensure the continuation of the Geneva talks. Other EEC governments have refused to discuss this proposition on the grounds that the debate properly belongs in Nato.

Mr. Yannis Charalampopoulos, the Greek Foreign Minister and president of the Council, exposed himself to frequent and hostile criticism from centre-right MEPs yesterday by refusing to answer questions on the proposal. He argued that it concerned the foreign policy of an individual member state and not a common position adopted by the EEC in their political cooperation.

The Greek Minister's stand served to drain the debate of its truly dramatic element, since most speeches from the floor of the parliament were predictable and lacklustre.

## Socialist call for unity in Europe poll

By John Wyles

MR. ROBIN COOK, the British Labour Party's recently appointed spokesman on European Affairs, yesterday called for a joint campaign by EEC socialist parties in next June's elections for the European Parliament.

His appeal, delivered in a speech to the Parliament's socialist group, marks a further stage in the burying of the Labour Party's essentially negative approach, based on withdrawal from the EEC.

He stressed that the domestic political importance of next year's Euro-elections as "the first major electoral test of Neil Kinnock's leadership." Mr. Kinnock recently became leader of the British Labour Party.

"We want to fight these elections together with you. We all face common problems in Europe and we must therefore offer the people of Europe common solutions rooted in our shared socialist values," said Mr. Cook.

Socialists, he said, must offer an economic programme capable of lifting the Community out of recession, reducing unemployment and reversing the nuclear arms race.

## U.S. officer shot dead in Athens

By Andriana Ierodiakonou in Athens

A U.S. navy captain was shot dead by two gunmen in a northern Athens suburb early yesterday morning, the police said. Captain George Tsantes was being driven to work at the time. His Greek driver was fatally injured.

Cap Tsantes was chief of the naval section of JUSMAG, a U.S. aid mission to Greece established after the end of the War. Its original purpose was to consolidate U.S. influence in Greece but its activities have been considerably scaled down.

The assassination comes shortly before celebrations to commemorate the 1973 student uprising in Athens against the colonels' junta, an event with strong anti-U.S. overtones.

## Kohl quashes reshuffle reports

BY RUPERT CORNWELL IN BONN

CHANCELLOR Helmut Kohl yesterday moved to quash speculation about imminent changes in his cabinet which would lead to a senior post for Herr Franz Josef Strauss, the leader of the Bavaria-based Christian Social Union (CSU) which is part of the coalition Government.

In a statement to the cabinet at its regular weekly meeting, Herr Kohl went out of his way to thank ministers in his three-party coalition for their performance since last March general elections. "I am grateful for their team spirit and co-operation, and see no reason for any reorganisation in the Government," he said.

His words should put at least a temporary end to the flood of recent reports, which Herr Strauss's supporters have done nothing to discourage, that the

CSU leader was demanding a top job in Bonn, possibly as Foreign, Defence or Economics Minister.

The CSU has been concentrating its fire above all on the Free Democrats (FDP), the junior partners in the coalition. The party has strongly criticised Herr Hans Dietrich Genscher, the FDP Foreign Minister, and exploited the uncertainty surrounding the future of Count Otto Lambsdorff, the FDP Economics Minister, stemming from legal investigations of party contributions from business.

Herr Kohl clearly decided that the time had come, shortly before a key parliamentary debate next week on the installation of new Nato missiles in West Germany, to shore up the Government and

underline its more positive achievements, particularly in the economic field.

Herr Gerhard Stoltenberg, the Finance Minister, told a news conference yesterday that the economy was expanding at an annual rate of 3 per cent, and that real growth next year could well be 2.5 per cent. He pointed to the new, if very modest, downward trend in unemployment and the continuing improvement in West Germany's foreign trade.

The gradual upturn in the economy would also mean a smaller than expected federal budget deficit this year, he declared. Current estimates put the likely 1983 deficit at between DM 37bn (£9.3bn) and DM 38bn (£9.5bn), compared with earlier expectations of a DM 41bn (£10.3bn) shortfall.



## "We're putting his name down for Eton, Harrow and American Airlines First Class."

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Rua Santa Luzia, 651 — 31º andar  
CEP — 20.030  
Rio de Janeiro — RJ Brasil. Telex (021) 232205 — (021) 219775

Sealed Bids will be received at the above mentioned address, until January 3, 1984 at 14:00 hr, Rio de Janeiro time.

Each Bid shall be accompanied by a Bid Bond for the amount of U.S.\$30,000 (thirty thousand dollars) or the equivalent in other currencies. Bids for partial quantities of Wooden Ties shall be accompanied by Bid Bond for proportional amount.

Rio de Janeiro, November 16, 1983.

Purchases and Material Superintendency



## EUROPEAN NEWS

## Tax changes urged to boost Irish Stock Exchange listings

BY BRENDAN KEENAN, DUBLIN

THE NUMBER of companies listed on the Irish Stock Exchange could increase by more than half if the taxation climate were more favourable, according to a report prepared by the Exchange. Dublin has not seen a new full listing for 10 years, but the Exchange believes the companies with a potential market capitalisation of £545m (£354m) could be persuaded to seek listings.

The report was prepared at the request of Mr John Bruton, the Irish Industry Minister, who is to publish a White Paper on Irish industrial strategy. He was concerned at the failure of the Exchange to play a growing role in the financing of industry.

The Exchange blames the tax regime for a situation where the 77 companies quoted represent under 10 per cent of the country's national output, compared with equivalent figures of around 50 per cent for quoted companies in Britain and the U.S. They single out Irish capital gains tax and the lack of tax relief on investment in equities as factors inhibiting investment.

Stock Exchange committee members also admit that Irish businessmen have been reluctant to seek equity, partly because of fear of reduced control and partly because they do not wish to meet disclosure rules. The Exchange plans to relax its rules to allow companies to

## West Troll gas field declared commercial

By Fay Gjester in Oslo

THE WESTERN part of Norway's giant Troll gas field was declared commercial yesterday by Norske Shell operator company on this side of the field.

About a third of Troll's estimated 1,500bn cubic metres of recoverable gas are believed to lie beneath West Troll, as well as around 51m tonnes of recoverable oil. The field, it is hoped, will eventually become a significant supplier of gas to Western Europe.

The declaration of commerciality does not imply a commitment to develop the field, but that exploitation appears technically and economically feasible.

Shell and its partners cannot actually start development until buyers have been found for the gas. This will have to fetch a high price to justify production, which will be expensive because the field lies in deep water, and sea bed conditions are difficult. Shell estimates development costs at about Nkr 40bn (£3.6bn) at 1983 values.

The company does not expect to have detailed development plans ready for two years. If the go-ahead were given around 1986 or 1987, it said, production could start by 1993.

Sale of Troll gas will be handled by Statoil, Norway's state oil company, and a significant partner on both East and West Troll.

So far, it has not even managed to finalise sales of the far more accessible gas in Norway's Sleipner field.

A significant feature of the commerciality declaration is that it marks the end of exploration. Statoil, whose costs during this phase have been born by the other licensees, under a so-called "carried interest" arrangement, will now have to assume its share of project expense.

About Nkr 1bn (£90m) has been spent on exploration on West Troll, and a further Nkr 400m (£36m) on research into the new technology that will be needed to develop the field.

Exploration of East Troll, where the licensees are the three Norwegian companies Statoil, Norsk Hydro and Saga Petroleum, began only this year. It is unlikely to be declared commercial for some time.

## EEC quotas force Italsider to shut plants

BY JAMES BUXTON IN ROME

ITALSIDER, the Italian state-owned steel producer, is having to shut down large parts of its Genoa and Taranto steel complexes for three weeks between now and the end of the year in order not to exceed its EEC production quotas. The move will mean laying off 1,300 workers at Taranto and 220 at the Cornigliano works at Genoa.

It comes in the midst of the angry public debate on permanent steel closures which

has been raging since the European Commission last summer insisted that Italy present by January 31 next year plans for the closure of 5.8m tonnes of steelmaking capacity, most of it in the public sector.

IRI, the state industrial holding company, has put forward plans for closures which will involve the loss of about 23,000 jobs and the closure of most of the Cornigliano works. But the plan has not yet been accepted

by the government of Sig Bettino Craxi and ministers are still arguing publicly about it.

Discussions are also going on between IRI and a group of private steel-makers over a plan under which they would take over part of Cornigliano. But this scheme, if it went ahead, would be offset by further closures in the private sector.

There is now growing realisation, however, that the condi-

tions set by IRI for the reopening of the Bagnoli plant outside Naples are unlikely to be met. Bagnoli, after undergoing a restructuring plan costing more than L800bn (£330m) has been "temporarily" closed since late last year and its reopening is dependent, according to IRI, on the EEC increasing Italy's production quota next year by 1.2m tonnes.

In view of the EEC's decision to set minimum prices for many products as a result of the seriousness of the European steel situation, the chances of Italy being able to increase its quota are now considered bad. The decision on minimum prices has been officially welcomed here both in the state and private steel sectors.

Meanwhile in the troubled shipbuilding industry, the state-owned concern Italcantieri on Monday laid off 3,500 men, in what is being construed as a first step to reductions in its labour force and capacity.

## Swedish exports rise continues

By David Brown in Stockholm

SWEDEN'S exports continued to grow strongly last month with a 26 per cent climb in value compared with October 1982 when the krona was devalued by the incoming Social Democratic Administration. The value of imports during the period grew by 10 per cent. On a 10-month basis exports rose 27 per cent, and imports 10 per cent. The trade surplus was SKr 10.9bn (£580m), Statistics Sweden reported.

"We are of course impressed by the figure so far," said Mr Ola Virin, chief international economist at the Swedish Federation of Industries. He estimated that exports had grown 18 per cent in volume terms since the start of the year.

The devaluation played a major role in the upturn. It has restored price competitiveness and allowed market share to be recaptured. The economy is showing healthy signs of recovery, and the Government is predicting a 2.8 per cent rise in GDP next year following a 1 per cent climb in 1983.

Mr Virin cautioned, however, that the benefits of devaluation have been mostly "used up." The good export figures partly rely on short-term factors such as used ship sales and petroleum exports, as well as a boom in car shipments, especially to the U.S.

"Excluding cars, it has been a rather weak pick-up for engineering products in general," said Mr Virin.

## Yugoslavia likely to seek more UK loans

BY DAVID BUCHAN IN LONDON AND ALEKSANDAR LEBL IN BELGRADE

BRITAIN is likely to be asked to join other Western governments in granting Yugoslavia further financial loans next year, when Mrs Milka Planinc, the Yugoslav Prime Minister, meets Mrs Margaret Thatcher in London today.

Yugoslavia will formally request aid to help it meet 1984 debt servicing of around \$8bn at a meeting in Geneva on Friday with officials from some 15 Western governments, the International Monetary Fund and the World Bank. This year the 15 Western governments contributed credit worth \$1.3bn to a wider \$4bn rescue package involving also private banks and the IMF.

If Belgrade can carry over into next year the unspent portion of 1983 credits, its debt servicing problems will need less outside help than this year. On this understanding, the British Government, which gave credit worth \$78m this year, seems inclined to help again.

Economic issues will figure prominently in this week's

official visit to the UK by Mrs Planinc, postponed from last May because of the British general election. In her talks at Downing Street today, and later with the Treasury, the Department of Trade and Industry, and British industrialists, the Yugoslav leader is likely to stress the change she has wrought in the economy with a tighter monetary policy and banking and foreign exchange reforms that have earned her the sobriquet of "the Yugoslav Thatcher."

Mrs Planinc, however, has to share political and economic power with eight republics and provinces in federal Yugoslavia, a point she will underline obligingly with a trip on Friday to Edinburgh and a visit to a Raeli factory making defence equipment for the Yugoslav armed forces.

Yugoslav officials see signs that Mrs Thatcher may be more receptive to their country's views on East-West issues than she might have been last May. She spoke again this week of



Mrs Planinc: London visit

the need for sensible dialogue with the Soviet bloc and to this end said she would visit Hungary next year.

Mrs Thatcher knows Yugoslavia quite well, having visited it twice as Prime Minister in 1980, even if the niceties of Yugoslav non-alignment are not grasped by others. During the election campaign, the Conservative Party ran a television broadcast depicting Yugoslavia in the Warsaw Pact. The BBC made the same mistake earlier this month.

To its satisfaction, Yugoslavia has narrowed its bilateral trade deficit with Britain, from \$364.7m last year to \$63.8m in the first nine months of this year, according to Belgrade's statistics. British officials accept this as an inevitable result of import cuts in the Planinc austerity programme, backed by the IMF.

Because Yugoslavia has needed less trade credit, thanks to lower imports this year, it is considered that any 1984 aid package discussed in Geneva will have to comprise less trade credit and more financial loans from Western governments than this year.

## Portugal pledges exit tax exemption for foreigners

BY DIANA SMITH IN LISBON

THE PORTUGUESE Trade and Tourism Minister, Sr Alvaro Barreto, has assured a delegation of Britain's leading tour operators that foreigners will not have to pay the unpopular Esc 1,000 (£5.20) exit tax from December 31. More British tourists visit Portugal than any other nationality.

Sr Barreto has also agreed to study a request by the tour operators for reimbursement of the thousands of pounds they have had to spend on behalf of their customers since the exit stamp was abruptly introduced in October with hardly any warning.

British operators were caught short by the new tax and were unable to pass it on to their customers.

The operators, meanwhile, have expressed their satisfaction about the energetic efforts the new Portuguese Government has made to secure safer gas installations in holiday accommodation in the Algarve.

The deaths of 10 Britons from carbon monoxide poisoning caused by faulty gas installations in recent years resulted in vigorous protests from Britain and a demand for marked improvements in safety regulations.

## Polish debt talks begin again in Paris today

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH GOVERNMENT officials are due to start talks today in Paris on rescheduling payments on the \$11bn which Poland owes to the 16 Western countries grouped in the Paris creditors club.

At the same time Mr Zbigniew Madej, the Polish Deputy Premier in charge of foreign trade, has said Poland wants to continue to run a trade deficit with its Comecon partners for another five years.

Talks with the Paris club were frozen as part of Western sanctions following the imposition of martial law in December 1981, and the United States has only recently dropped its opposition to resuming negotiations. These will deal with repayments which fell due both in 1982 and this year as Poland responded to the sanctions by suspending payments.

Given the country's parlous financial state and the burden of servicing commercial bank debt where rescheduling agreements for 1982 and 1983 have already been signed, the Polish negotiators will at the very least be looking for new commodity credits to cover any payments which are agreed.

Next year's draft economic plan foresees \$1.8bn-worth of debt repayments, compared with \$1.3bn-worth this year.

By the end of this year, Poland will owe Roubles 4bn (\$3.5bn) to other Comecon countries which are keen to see repayments start. In fact, Poland is already in surplus in trade with Hungary and Bulgaria this year. According to Mr Madej, however, Poland will suggest in talks on the 1986-1990 five-year plans that Comecon continue to credit the Polish economy until around 1988.

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## OVERSEAS NEWS

## Singapore fumes over an official drive to curb a prized possession

A NEW public enemy has been spotlighted in Singapore. One minister says the island is already in the first stage of paralysis. Others have been taking any opportunity—not even Tree Planting Day was missed—to reel off a few statistics on the scale of the threat posed to environment and welfare.

The foe is the car, a highly prized possession for the average Singapore family but which is jamming the streets with such intensity that it is now the object of a tough policy to price it beyond people's reach. In the past three weeks, the Government has raised car taxes, increased the duty on petrol and upped parking fees. Owners and dealers are stunned. Singapore has become probably the most expensive place in the world to own a car. One

Chris Sherwell, South-East Asia Correspondent, reports on a new public enemy

would be lucky to get much change out of \$330,000 (about \$9,500 or U.S.\$14,000) for even a small model. Once a car arrives, the following charges will be added to the landing price before it gets on the road: freight, insurance and port handling charges plus any commission; 45 per cent import duty on the "open market value" as determined by the Customs; \$81,000 to register the car (\$85,000 if it is a company car) plus \$825 for licence plates;

175 per cent (150 per cent previously) of the car's open market value as an additional registration fee. The proportion would be reduced, depending on the car, to 45-65 per cent (35-55 per cent previously) if the car already owned is scrapped;

road tax of 52-78 cents (40-68 cents previously) per cc depending on the engine capacity. This works out to more than \$81,000 a year for a 1600 cc car, and double for a company car.

All this is before the dealer's profit is taken into account. In addition, insurance rates are not low (and driving standards are not high), premium-grade petrol is now 20 per cent higher at 125.8 cents a litre (39.5p), and parking charges (it is difficult to park for free anywhere in Singapore) have also been raised 20 per cent.

In the first four months of this year close to 500 additional cars came onto the roads each week. Altogether, some 200,000 more than one for every 12 persons, are now running round the island, an estimated 80 for each kilometre of road.

The average car growth rate in the past 18 months has been more than four times the rate of the late 1970s, and recently the car population was projected to double within five years if present trends continued. Certainly the rate outpaces the increase in road capacity or parking space. Already each car is calculated to need 150 square metres of land, which in Singapore is a palpably finite commodity.

The explosion in car ownership of the past few years parallels Singapore's large salary and wage rises, in line with the

Government's growth strategy favouring "high-tech" industry and pricing labour-intensive activities out of the market. Pay rises of 19 per cent in 1979 were followed by increases averaging 20 per cent in 1980 and 14-18 per cent in 1981. Healthy real increases have also been given this year.

The car growth also reflects an important perk—the cheap loan—offered by the Government to civil servants and by multinational corporations and banks to their employees. Perhaps unsurprisingly, the Government has yet to clamp down on these.

Car owners, needless to say, are grumbling, while prospective car owners are even less happy. Dealers are dismayed, having made bigger orders for Christmas, while second-hand car salesmen reckon owners

may now hang on to their existing cars for longer. At the moment, about six in 10 cars are said to be under three years old.

Nevertheless, Ministers are already firmly on record for tough restrictions on cars when the first phase of the \$55bn Mass Rapid Transit system, now under construction, starts up in 1988.

"We can't have a policy where everybody can have a car," said Defence Minister Goh Chok Tong when the first of the latest batch of measures was unveiled. "It is the Government's responsibility to provide housing, medical and other social services. It is not our policy to ensure that every family owns a car. That is a luxury."

## Chinese hint of elections for Hong Kong

BY MARK BAKER IN PEKING

CHINA has indicated that it will allow the people of Hong Kong to elect their own leaders after Britain relinquishes control of the colony.

An economic adviser to the ruling State Council, Professor Qian Junrui, has said that elections will assist Hong Kong to expand its position as a major free port and international financial centre.

"When China regains sovereignty over Hong Kong, our patriotic compatriots will elect their own representatives to administer Hong Kong. They will certainly make Hong Kong more developed and prosperous," he said.

The comments were published yesterday by the official Chinese news agency, Xinhua, only hours after the end of another round of the secret Sino-British talks on the future of Hong Kong.

No indication was given of how the elections would operate, but the implication is that they will be more substantial than the stage-managed elections conducted for party positions in China.

China is pushing hard to reassure the people of Hong Kong that their "prosperity and stability" will not be changed after the British leases expire in 1997. Hong Kong residents at present have no say in the appointment of the governor or the most powerful bureaucrats.

The talks, the sixth round since July, appear to have been amicable, but there was still no official indication that progress was being made.

A joint statement described the latest round as "useful and constructive"—the same adjective used after the previous session in October. It said the next round would be held in

Peking on December 7 and 8. While the two sides have agreed to keep the content of their talks confidential, the well-timed release of China's view on elections for Hong Kong appears to be another attempt to manipulate public opinion in their favour.

Professor Qian, who recently returned from a visit to Hong Kong, played up Hong Kong's future as an increasingly important economic centre in "the region and the world as a whole."

He said the chief reason for Hong Kong's present prosperity was that 98 per cent of Hong Kong's 5.5m people are capable, hard-working and highly adaptable Chinese.

"Hong Kong may continue to take in large foreign capital investments and face the world market by depending on the rich resources and markets on the mainland. This will guarantee Hong Kong's prosperity and stability," he said.

It now appears likely that the Hong Kong talks will continue well into next year with little prospect of an early settlement. But the two sides seem to have put an end to the public bickering.

The next round is expected to be the last this year and will be the last at which the British team is led by the Ambassador to China, Sir Percy Cradock. Sir Percy, who will become a special adviser to the British Prime Minister, Mrs Thatcher, on foreign affairs, is expected to leave Peking on December 22.

This means that the negotiations are unlikely to get under way again until late January at the earliest, after the new Ambassador, Mr Richard Evans, arrives from London.

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## Israel stunned by 21.1% inflation rate

BY DAVID LENNON IN TEL AVIV

ISRAEL was stunned yesterday by the news that inflation in October reached an unprecedented 21.1 per cent, the highest inflation in a single month in the country's history.

Although Israel has become used to high inflation, having suffered triple digit annual inflation for the past four years, last month's figure caused considerable alarm at the Treasury.

Last year inflation was 130 per cent, but with the publication of the October cost of living index, inflation for the past 12 months has reached 154 per cent. The fear is that by year end 1983 inflation may reach 175 per cent.

A sharp rise in inflation had been expected as a result of the Government's decision in early October to adopt a new economic policy, which was expressed in a 23 per cent devaluation of the shekel, a 50 per cent cut in subsidies to basic commodities and repeated rises in the price of fuel.

But even the gloomiest forecast by Treasury officials turned out to be positively rosy when confronted by the reality of October's 21 per

cent inflation. This is 50 per cent higher than the previous monthly record of 13.3 per cent set in April this year.

The Central Bureau of Statistics ascribed half of the October inflation to the new government measures, but the other half was already built in. This means that inflation in November is also likely to be well above 10 per cent.

Only a day earlier, Mr Yigal Cohen-Orad, the new Finance Minister, said that his policy was to place the fight against inflation on the back burner when he tackled the problem of the country's soaring \$50n-plus balance of payments deficit.

However, following the news that hyper-inflation may be at the country's doorstep, he may be forced by the Cabinet to revise his priorities, especially because of the enormous negative impact of this inflation figure on the voting public.

Wage earners, who two weeks ago received a 20 per cent wage rise in compensation for the inflation of the previous three months, have seen this increment wiped out by the October inflation figure.

## India and Pakistan at odds

By K. K. Sharma in New Delhi

RELATIONS between India and Pakistan have deteriorated sharply recently, and troops on both sides of the border have begun intensive military exercises. Some violations of the ceasefire line in the disputed state of Kashmir have allegedly taken place.

The two countries have exchanged sharp protests over apparently trivial incidents which suggest that their leaders are not anxious to normalise relations along the lines indicated earlier this year.

A few months ago, India and Pakistan formed a joint commission under the chairmanship of their foreign ministers to improve economic and cultural relations. They discussed proposals for a "no war" pact and the signing of a friendship treaty. Foreign ministers were to meet again in New Delhi by the end of this year.

This possibility is now extremely remote, and independent observers attribute this to domestic events in both countries. In Pakistan, President Zia faces civil unrest against his military regime, while in India Mrs Gandhi, the Prime Minister, has witnessed agitation in states like Punjab. In the last few weeks, both leaders have made speeches about threats from across the borders.

In the last week, President Zia has accused India of interfering in Pakistan's internal affairs.

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Ministry of Defence and Aviation and Inspectorate General  
is proud to announce the opening of

## King Khaled International Airport

New Aerial Gateway to Riyadh, Capital City of the Kingdom of Saudi Arabia

King Khaled International was completed this month by the Presidency of Civil Aviation. It is the second of three major new airports to be built in the Kingdom. The first, King Abdulaziz International in Jeddah, was opened in May, 1981. Construction of the third new international airport, located in the Eastern Province near Dhahran, got underway this year and work is expected to be completed before the end of the decade.

The airport projects are part of the Kingdom's overall development program which is being led by His Majesty, King Fahd, His Royal Highness Crown Prince Abdullah, and His Royal Highness Prince Sultan, Second Deputy Premier and Minister of Defence and Aviation.



Aerial view of KKIA's Terminal Complex

The three new international airports and the Kingdom's network of 23 domestic airports, also operated by the Presidency of Civil Aviation, play a major role in the overall transportation program of Saudi Arabia and help the Kingdom fulfill the economic goals set by His Majesty the King and the Council of Ministers in the Five Year Development Programs.

During the first two five-year plans (from 1970 to 1980) the number of passengers arriving at all airports in the Kingdom increased more than tenfold, rising from 800,000 to 8.1 million.

In the capital city, growth has been even more spectacular. From 1975 through 1982, passenger traffic in Riyadh increased 750%, from 890,000 passengers annually to 6 million.

Anticipating this growing demand for service, the Kingdom began preparing a master

plan and economic analysis for King Khaled International in September, 1974.

In 1978, the Council of Ministers gave approval to begin the first phase of the project and have it ready for operational testing in five years.

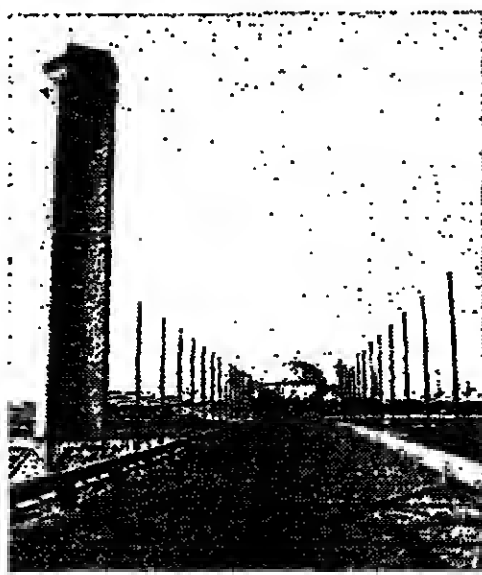
Hallmarks of the new facility are ease of access via separate arrivals and departures roads,

spacious and convenient covered parking facilities immediately in front of the passenger terminals, and use of air bridges to provide passengers with direct access to their aircraft.

Inside the terminals, large interior gardens feature flowering plants and fountains, terraced groups of trees and low trailing vines. These gardens and fountains provide a stunning visual effect for arriving passengers—or for departing passengers who can look down on the display from the upper level of each terminal.

The airport's principal mosque is located in the center of the passenger complex, easily accessible to all Muslim travellers. Considered by many to be one of the most beautiful and interesting new religious structures in the Middle East, the mosque can accommodate 5,000 worshippers.

The new airport contains some of the finest artworks in the Kingdom. Paintings, tapestries, sculptures, carpets, and mosaics are among the



Control Tower rises above a ceremonial mall

hundreds of works of art which have been placed in the terminals and other public buildings. During the years the airport was under construction, a Kingdom-wide effort was made to marshal Saudi talent to create the artworks.

Heads of State and other high-ranking visitors to the Kingdom are greeted in a Royal Pavilion that is both beautiful and functional. A distinguished building with a strong Islamic



The Airport's beautiful Mosque

character, the Royal Pavilion has grand architectural spaces, finest materials and finishes, lush gardens and cooling fountains.

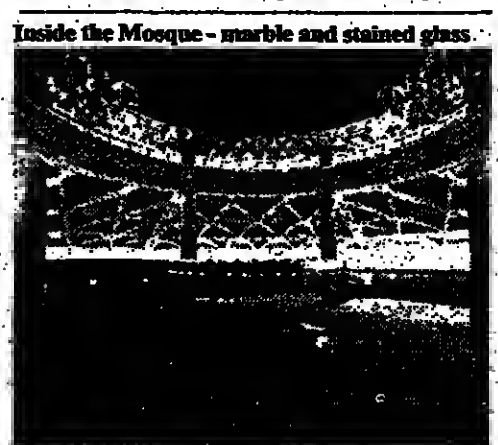
During the construction of the airport, the latest data systems and computer technology were used to enhance and support management



The majestic Royal Pavilion

of the project. These systems continue to be used today in order to insure maximum efficiency in day-to-day operations and maintenance of the airport.

The new airport honors the memory of the late King Khaled Bin Abdulaziz who ruled the Kingdom of Saudi Arabia from March 1975 until his death in June 1982. It was during the reign of King Khaled that plans and designs for

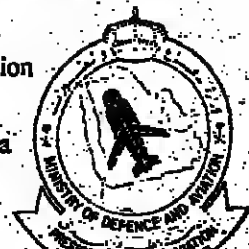


Inside the Mosque - marble and stained glass

the new airport were completed and work begun. The primary mission of the Presidency of Civil Aviation is to assure the safe, orderly and efficient flow of air traffic within the Kingdom and to provide airport facilities necessary to accommodate domestic and international passengers and air cargo.

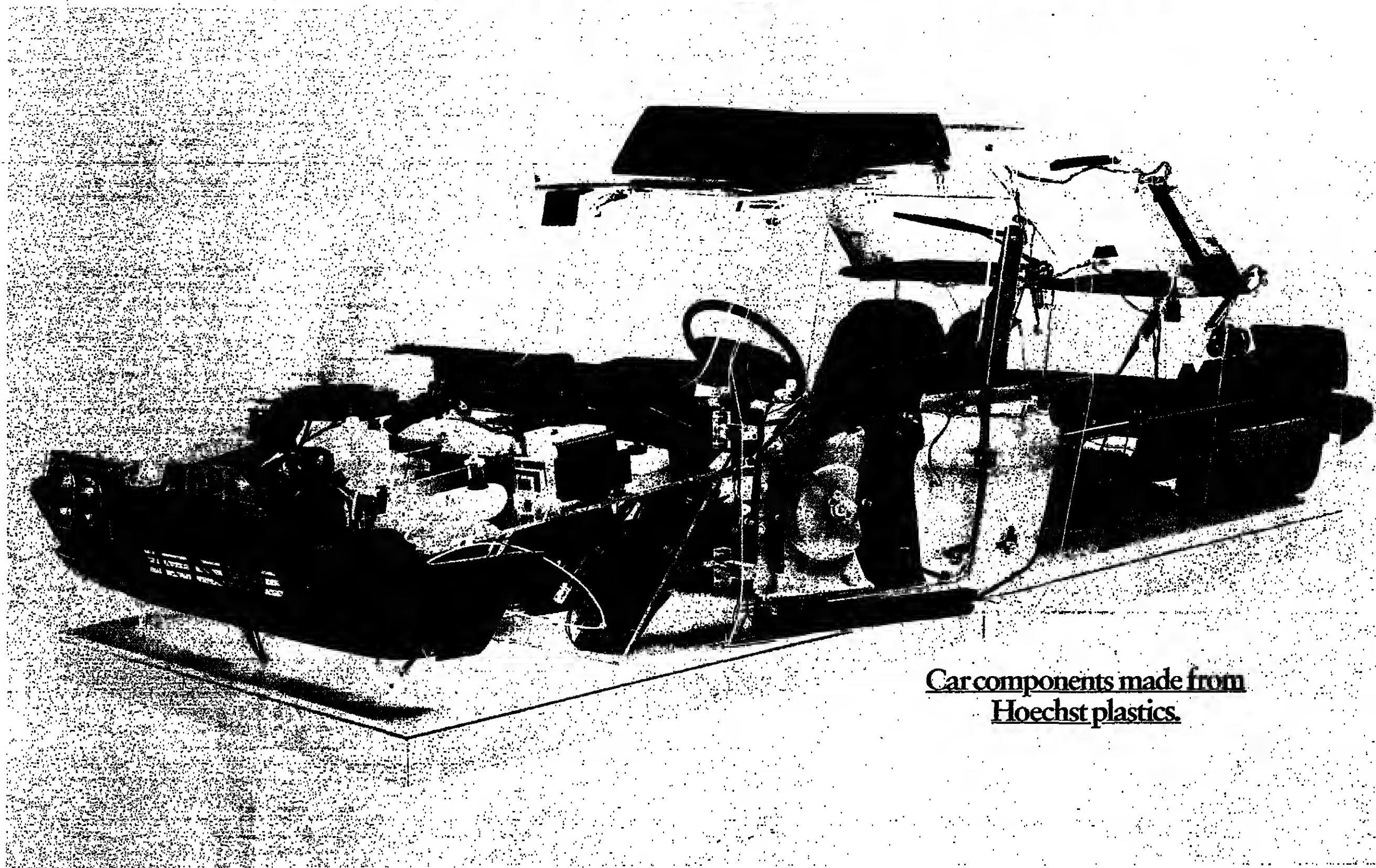
If you would like more information on the Presidency of Civil Aviation and the remarkable new King Khaled International Airport, please write:

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## TECHNOLOGY

EDITED BY ALAN CANE

## MOBILE COMMUNICATIONS FOR THE FACTORY

## 'Calling all trucks and pickers' NatSemi shows the way to tomorrow's faster machines

BY GEOFFREY CHARLISH

LAUNCHED INTO the UK by Jungheinrich (GB), a subsidiary of the German industrial electric truck maker, is a radio communication system that will transmit data from the warehouse computer to mobile units such as fork lift trucks and order pickers.

The equipment, called Telecom 2000, becomes available as a result of an exclusive sales agreement between the company and Gessellschaft für Elektrische und Elektronische Technik of Hamburg, developers of the system.

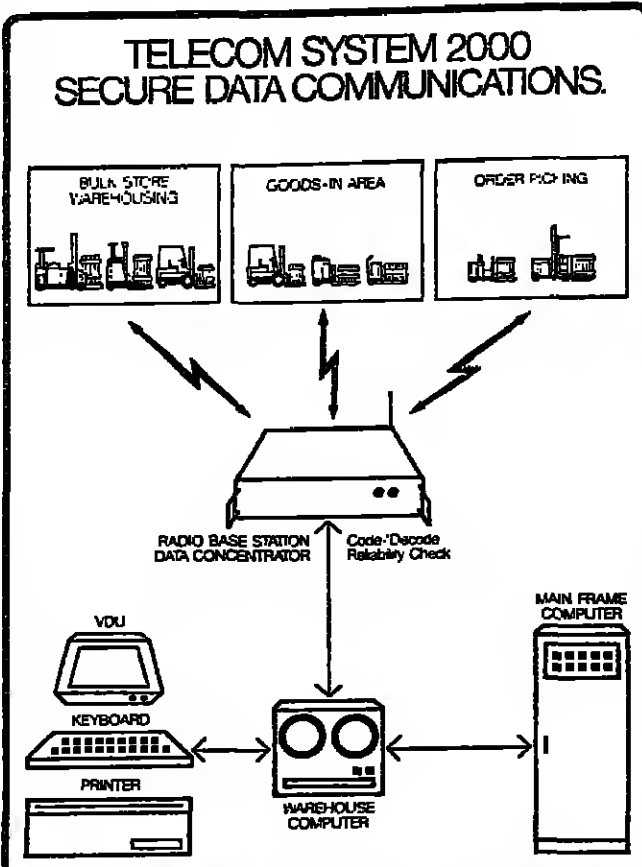
According to Jungheinrich, up to 30 per cent of the average organisation's capacity in terms of manned trucks and order pickers is not fully exploited, basically due to lack of communication with the drivers and lack of availability to them of timely information.

With Telecom 2000 claims the company, it should become possible to distribute work loads of both industrial trucks and personnel more efficiently. At the same time there should be savings due to reduced paperwork, minimised errors and a synchronised flow of both material and information. How often, in many factories, is there a production hold-up simply because the right material is not present in the right place at the right time?

## Transmitter

Items carried on the mobile unit are a radio transmitter receiver (existing units can be modified) and a flat panel unit containing keyboard and liquid crystal display. The driver can therefore both send and receive alpha-numeric data concerning loads and destinations. He also is able to extract data from bar code labels where this technique is used for identifying stores items.

Data to and from up to 128 trucks is dealt with by a central radio transmitter receiver and data concentrator, itself connected by line to the warehouse computer and any associated mainframe machine. A stationary screen and keyboard terminal is line connected to the warehouse processor for stock control purposes.



A new dimension is added to factory communications with this radio data system developed by GEET of Hamburg and offered by Jungheinrich for use on manned trucks and the automated order pickers used in stores areas. Through a central transmitter-receiver and a data concentrator, the mobile units can exchange data with warehouse computer and the company mainframe. A ten-digit part number is transmitted in about a third of a second.

ected by line to the warehouse computer and any associated mainframe machine. A stationary screen and keyboard terminal is line connected to the warehouse processor for stock control purposes.

character code, comprising a 10 digit part number and a six digit storage location for example, takes only a third of a second. The radio channel is therefore occupied for only a fraction of the time that would be needed to send the same

message verbally. Following transmission and reception, the data appears on the portable unit's display.

Telecom 2000 uses digital transmission at 1000 bits/sec—essentially a system in which two tones represent binary zero and one. Error correction is built in.

## Infra-red

The company emphasises that the system obviates optical faults which can be caused when, say, infra-red transmission is used and also claims it to be superior to speech systems that are liable to error due to poor pronunciation.

Radio interference — which can be caused by impulse control systems on electric trucks — is minimised, it is claimed, by using a radio frequency in the 450 MHz region.

Moreover, the range of transmission — about 1,500 metres (one way) of power — and its quality, is said to be unaffected for example, by metallic racking installations and other structures in high bay warehouses.

The company points out that very little wiring is called for and that both software and hardware can be adapted to future operational requirements.

In fact, Telecom 2000 forms another link in the "computer assistance" chain now growing in the factory environment and becoming known as computer integrated manufacturing, or CIM. The basis of this is CAD, computer aided design, followed in recent years by CAM (computer aided manufacturing).

All these systems will eventually use a common data base originated in the design department and then used to produce both engineering and manufacturing data. Clearly, in due course radio data-controlled vehicles will form a part of such factory-wide systems. More on 061 998 7919.

## FIRST COMMERCIAL 32-BIT MICROPROCESSOR

## NatSemi shows the way to tomorrow's faster machines

BY ELAINE WILLIAMS

NATIONAL Semiconductor hopes to steal a lead in the microprocessor market with its new 32 bit device, the NS32032. It is the first commercially available 32 bit microprocessor.

Microprocessors form the heart of any small and medium sized computer. They are responsible for all the processing of data fed into the system and control the way in which the system will function.

At the launch of the device, Mr Charles Sporek, NatSemi's president stated: "The 32032 will take the early lead in establishing the 32 bit marketplace for microprocessors and has already been designed into a number of custom systems."

The 32 bit machines offer the benefit of faster operation and manipulation of data in computer applications. Machines of 16 bit and less suffer from the disadvantage of having to take information out of the memory several times before it can execute an instruction. This is acceptable for home computer applications but can become frustrating for business users whose volume of data processing grows.

Applications where the 32-bit



Charles Sporek

microprocessor comes into its own is in the area of fault tolerant systems where computers have to keep operating even if a component fails and in high speed computers.

The market demand for the

new microprocessors is being fuelled by the replacement of the minicomputers of the 1970s with the high performance micros; the need for faster processing, and the development of computer aided design and manufacturing systems which are ideally suited for the 32-bit microprocessors.

Mr Hans Rohrer, NatSemi's European Product manager, said that some markets are already emerging such as the professional computer and forecast a change in the dedicated computer aided design station to an engineering workstation which will be a more flexible design too.

There are two other markets which are moving into the 32-bit area and that is the telecommunications and military industries. Designs in these sectors are rapidly changing and the sophisticated requirements are suited for devices such as the NS 32032.

The first version to be available will have a speed of 6 MHz. NatSemi says that this is the first time that a microprocessor has broken the one million instructions per second barrier.

## Motorola's colour tv chip set

USING ENHANCED versions of both MOS (metal oxide silicon) and bipolar semiconductor technologies, Motorola Europe has developed several integrated circuits that deal with most of the essential elements of a high quality television receiver.

Both digital and analogue techniques are deployed on the chips, which cover video and sound processing, tuning and station selection, and remote control.

Motorola emphasises that the objective of innovations such as digital signal processing has to be better performance and/or lower cost. But according to Arturo Kruger, chief technical officer with responsibility in these areas, the current well publicised approaches provide "lower performance at higher costs."

He added that "these

systems do not even represent an approach to the future." The determining factors will be the need for frame storage, true flicker-free images, and the advent of high quality signal sources such as the C-MAC coded direct satellite broadcasts. These have separated signal components (unlike the combined signals of terrestrial off-air TV broadcasting).

Motorola does not claim to have incorporated all these things just yet and Kruger thinks the introduction date for such chips will be in the late 80s. However, one of the new circuits, called Chroma 4, is able to deal with separated signal sources so that, whether the signal supplied to it is composite video, or separate red, green and blue components, or luminance and colour difference components, the user will be able to adjust contrast, bright-

ness, colour saturation and hue in the ordinary way.

The chip is also multi-standard, being able to deal with PAL, SECAM or NTSC formats. Kruger claims these facilities are not matched by any other approach.

In the Motorola concept, the signal processing devices are under the control of a microprocessor, which also provides an interface to the remote control system and the tuning facilities. Station selector, remote control receiver and transmitter are in chip form and others are being developed.

Although in 1982 all the TV sets made were analogue, by 1987 Motorola believes 10 per cent will be digital, 50 per cent partly digital and only 40 per cent still analogue. By 1992 these figures are expected to become 45, 40 and 15 per cent respectively.

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Graphics  
CAD/CAM  
in colour

SOPHISTICATED interactive graphics in colour is offered to CAD/CAM users by the newly-developed model 5680 system from IBM.

Operating with the company's 570, 4300 or 30XX computers with up to 32 workstations, the system is designed for ease of use with substantial application flexibility. Designers and engineers working on complex drawings such as circuit board designs will benefit from the greater separation of detail that colour can bring.

The 5680, which consists of channel control, graphics processing and display monitor units, provides high performance 3D transformation with programmable line types, area fill and programmable pattern generation within the terminal.

Four major IBM CAD/CAM applications are supported, all of which exploit computer power to offer improvements in mechanical and electrical draughting, design, analysis and manufacturing techniques.

A system comprising four 16-colour displays cost £22,207. More on 0705 684941.

## Office systems

Japanese  
word star

CANON'S LATEST Japanese language word processor is said to be the cheapest on the market, priced at a little over £600.

The Canonword Mini 5 is so cheap because it uses a liquid crystal display (or LCD) unit like the ones used in pocket calculators rather than a more expensive cathode ray tube (CRT), and brings typical Japanese word processor costs down by 25 per cent, the company claims.

## Towards automatic air traffic control

MESSSENGER IS a new aeroplane identification and tracking radar system from Marconi Radar, representing another step on the road to automatic control of air traffic.

Using monopulse techniques

for this secondary surveillance radar (SSR) instead of a continual beam has meant that Messenger is far more accurate, Marconi claims. A coded signal is sent directly to the aircraft's "black box" (or

transponder) causing it to reply with details of its identity and height.

Marconi is working on a more advanced SSR which can directly address and question any aeroplane automatically, and Messenger is introducing

the techniques which will make it possible.

Messenger also offers additional new features both in packaging and performance. More from Marconi on 0245-353221.

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## AMERICAN NEWS

## David Fishlock looks at the U.S. stock of nuclear weaponry A smaller but more precise arsenal

WHEN Mrs Margaret Thatcher, the Prime Minister, said earlier this week that the U.S. now had one-third fewer nuclear weapons than in 1967, and only 25 per cent of the megatonnage it had in its nuclear arsenal in 1960, she was not telling the whole story.

Her figures are a far cry from the European public perception of a burgeoning U.S. nuclear stockpile, constantly growing since the end of the Second World War. Yet they are the official U.S. position—so far as it goes.

The accompanying chart, released recently by the Pentagon, does not show absolute figures, which are still highly classified, but does suggest that the U.S. has retired far more weapons from the stockpile than it added during the 1970s.

What has actually happened is that, after an initial enthusiasm for more megatonnage during the 1950s, the emphasis has changed to increasing precision of delivery. This followed an agreement between the U.S. and the Soviet Union on a test ban limitation of 150 kilotonnes equivalent of TNT—10 times the estimate of the Hiroshima explosion—in the early 1960s.

The official U.S. picture thus shows a stockpile of just two nuclear weapons in 1945 expanded to 22 in 1946, 13 in 1948, and 50 in 1949, when Moscow carried out its first atom-bomb test.

It expanded at so accelerating rate in the late-1950s and early-1960s, when large new sources of nuclear explosive came on-stream. The stockpile is officially acknowledged to have peaked "at a few tens of

thousands" in the mid-1960s. Unofficially, this peak has been put at 32,000.

Since the mid-1960s the Pentagon says it has withdrawn many large, high-yield weapons from stock. The emphasis has shifted to smaller explosive power and greater accuracy. The Pentagon says the obsolete weapons are disassembled and destroyed, but the nuclear explosives, highly enriched uranium and plutonium, can be reconditioned and used in new weapons.

What the Pentagon graph does not show is what has been happening since 1980. This appears to have been the low point in the U.S. nuclear stockpile, from which the Reagan administration has begun to rebuild, continuing the re-expansion policy agreed late in the Carter Administration.

According to Dr Richard Wagner, chief adviser on nuclear weapons to the U.S. Defence Secretary, in evidence to the Congressional committee on the armed services, the U.S. is planning to build from the low point around 1980 by some 15 per cent in numbers by the mid-1990s.

Each November the U.S. President signs the highly classified presidential stockpile memorandum. For 1984, the Pentagon has been asking—and is expected to get—a total of about \$3.9bn for nuclear weapon spending. Of this, \$1.8bn is earmarked for the seven factories which manufacture parts for and assemble nuclear weapons.

The money includes large sums for refurbishing production facilities which had been

comparatively neglected during the 1970s. For example, there is \$443m for construction and \$114m for capital equipment. The research, development and testing programme for 1984 is put at \$1.4bn.

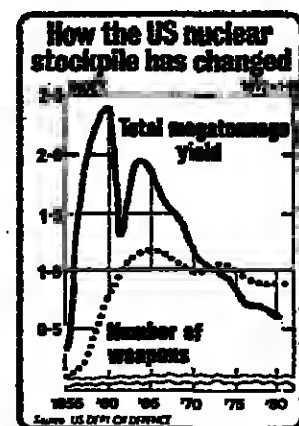
During the 1970s funding in constant dollars had declined by about 37 per cent, and employment in the nuclear weapons industry by 35 per cent.

Weapons now being retired from the stockpile include several old free-fall bombs such as the B-28, B-48 and B-53, the Nike Hercules surface-to-air missile, the Honest John short-range surface-to-surface missile, the Asroc and Subroc anti-submarine rockets, the Titan II intercontinental ballistic missile, and the U.S. Navy's Terrier missile.

The new weapons just coming into service include the well-publicised ground-launched cruise missile which has just arrived in Britain, the Pershing II, the B-83 bomb, air-launched and sea-launched cruise missiles, the 8-inch shell, known as the "neutron bomb" or enhanced radiation weapon, the Trident C-4 missile and the B-81 bomb.

Not yet in production are some major new developments such as the Trident D-5 missile, the 155 mm nuclear shell, the nuclear anti-submarine stand-off weapon and the Sentry anti-ballistic missile warhead.

Individually, the new weapons differ considerably in their purpose and hence their design. Common features, however, include greater safety against accidental explosion and greater military effective-



ness. The enhanced radiation weapons, for example, are designed principally to knock out tanks and their crews, the Pershing II to penetrate "hardened" enemy battle management bunkers.

A new reference work\* on the U.S. nuclear stockpile is being collated by three scientists in Washington, without the approval of the Pentagon, but with much help from the U.S. Freedom of Information Act.

In an interview with the Washington paper Defense Week the authors explained that their book estimates a growth in the stockpile from about 26,000 warheads this year to about 30,000 by the end of the decade. This suggests the withdrawal of about 12,000 in total, and will leave the stockpile just short of its peak of the mid-1960s.

\*The Nuclear Weapons Data Book, Ballinger Books, \$38.95.

## Paramilitary police fly to Guadeloupe after attack

FRENCH para-military police have flown to the Caribbean island of Guadeloupe following a wave of bomb attacks which injured 23 people on Monday, the French interior ministry said, Reuter reports from Paris.

The unit of 100 men was said to have flown out with five senior civilian police officers after an appeal from the island's regional council.

## Grenada set for interim government

Grenada's new interim government took office yesterday, AP reports from St George's. However, the new chairman, Mr Alstair McIntyre, is not expected to arrive until later in the month. He is currently deputy Secretary General of the United Nations Conference on Trade and Development.

Cuban President Fidel Castro accused President Reagan of "cynically lying" to the U.S. public about the invasion of Grenada. President Castro, addressing a crowd of more than 1m in Havana, said that the Grenadians themselves had killed their revolution, "because of their divisions and their colonial error." He was speaking at a rally to honour 24 construction workers killed in the invasion.

**Nicaragua accused**  
U.S. Deputy Secretary of State Kenneth Dam accused Nicaragua of being an obstacle to peace in Central America and challenged it to agree to free elections and the withdrawal of Cuban and Soviet bloc military personnel.

**Peru 'reshuffle'**  
PRESIDENT Fernando Belaunde Terry of Peru is considering a Cabinet shuffle in the aftermath of the Government's defeat in Sunday's municipal elections, leaders in Belaunde's popular action party said yesterday, AP reports from Lima.

**Mexico surplus**  
Mexico recorded a massive trade surplus of \$1bn for September, bringing the total surplus for the first nine months of the year to \$9.6bn, William Chislett reports from Mexico City.

## Satellite-to-home TV begins first broadcast

BY PAUL TAYLOR IN NEW YORK

THE FIRST commercial satellite-to-home television service was due to start broadcasting last night in the U.S.

The introduction of direct broadcasting system (DBS) service marks a milestone in the development of pay television services in the U.S. and could herald a new period of competition between cable television systems and other forms of television programme delivery.

The start of the new service also marks a major achievement for United Satellite Communications, whose major shareholders are the Prudential Insurance Company, General Instrument and a group of private investors. USC has been in a race against a host of other competitors to become the first

company to offer DBS services, which are expected eventually to reach up to 10m homes in the U.S.

USC has managed to start the services ahead of other competitors, including Communications Satellite Corp (Comsat) and Mr Rupert Murdoch's News America Group. The group only last week announced that it was further postponing the planned introduction of a DBS service, after spending \$75m to lease satellite space, in order to wait for new high-powered satellites to be launched which will enable smaller roof-top dishes to be used.

USC will provide its service using existing satellite space on board a Canadian satellite, which will beam the signals to roof-top dishes initially in the Indianapolis area.

DBS systems are unlikely to pose a direct competitive threat to ordinary through-the-air and cable television services because of their limited channel capacity, but the new systems are expected to compete in rural areas and in those areas where cable wiring has proved prohibitively expensive.

Around 30m U.S. households currently receive cable television services and usually pay about \$25 a month for 54 channels of programming.

USC will charge customers an initial \$300 fee to install a roof top dish and special equipment to unscramble the satellite signal. After that customers will be charged a monthly fee of \$39.95 to receive five channels of 24-hour broadcasting.

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## U.S. oil industry to counter offshore curbs

BY WILLIAM HALL IN NEW YORK

THE U.S. oil industry is mounting a major campaign to counter growing congressional pressure to halt exploration for oil in some of the most potentially productive areas off the shores of the east and west coasts of the U.S. and in the Gulf of Mexico.

The oil industry's concern follows a decision by Congress earlier this month to impose a one-year ban on the sale of offshore leases on 53m acres off the shores of California, Massachusetts and Florida.

This will reduce the amount of acreage available for leasing by 40 per cent and bar the oil companies from buying further

exploration leases in the area off the shores of southern California, which promises to be one of the biggest offshore oil fields in the U.S.

The opposition to the oil companies centres on environmental fears and if a bill currently before Congress wins support, the present one-year moratorium will be extended to the end of this century.

The oil companies are particularly concerned about potential delays, which are in addition to extensive legal challenges at local state level, since they argue that three-quarters of the oil which the U.S. will use in the year 2000

has not yet been discovered. To keep oil reserves at present levels, the U.S. needs to discover 8.7m barrels of oil a day. Much of that could be found offshore.

Mr Charles DiBona, president of the American Petroleum Institute, told the industry's annual meeting in New York yesterday that "American attitudes regarding offshore petroleum exploration and production today, particularly attitudes within Congress, must be changed if the nation is to avoid serious trouble."

"There exists today an energy glut mentality in America—a mentality that thrives despite

the fact that we import a third of the oil we use and that those imports are growing," said Mr DiBona.

"As a result, a nation which will desperately need offshore production in another decade must contend now with moratoria imposed through the federal appropriations process; restrictive amendments proposed to the Outer Continental Shelf Lands Act; and delaying lawsuits."

The U.S. oil industry fears that Congress is failing to appreciate the importance of offshore oil to U.S. energy needs and is unfairly criticising the industry's offshore record.

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## WORLD TRADE NEWS

BAe favoured to win  
airliner order from  
Pacific Southwest

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Aerospace is now in the final stages of negotiation for a major order for its BAe-146 four-engine regional jet airliner from a major U.S. regional airline, Pacific Southwest of California.

The discussions, believed to focus on 20 aircraft, worth over £150m, have been in progress for many months, but are now understood to be approaching a conclusion.

Pacific Southwest has been studying a number of new jet types for its expanding regional network in California and adjacent States. These have included the BAe-146, the Boeing 737-300, now under development, and the projected MD-80 twin-jet.

McDonnell Douglas dropped out last weekend, when it announced that it was stopping work on design and development of the MD-80.

This has been taken as a clue that McDonnell Douglas did not think it could win the PSA order. Had it felt that it could secure an order for 20 or more aircraft, it would never have decided to stop work on that venture.

The Boeing 737-300, expected

to roll out of Boeing's Seattle factory next March and enter service later next year, is believed to be too large (about 130-140 seats) and too expensive for Pacific Southwest, leaving the BAe-146 as the logical choice.

The BAe-146, which is available in two versions, seating between 80 and 107 passengers, would ideally suit Pacific Southwest's route network. The BAe-146's fuel economy and low noise volume also make it highly suitable.

British Aerospace has been working on this deal for a long time, and is believed to be able to offer the U.S. operator a sufficiently favourable financial package to swing the order.

If British Aerospace can clinch the deal, it will be its biggest order in the U.S. for many years, and will set the seal on the 146's credibility in that country, probably resulting in many further orders.

So far, firm orders for the aircraft amount to 18, with a further 20 on option. The aircraft is already in service with Dan-Air of the UK, Air Wisconsin of the U.S., and the RAF.

Tokyo opens  
low interest  
loans to  
importers

By Charles Smith, Far East Editor, Tokyo

THE BANK of Japan is to reactivate from today a system under which low interest rate loans from the central bank can be used in the settlement of import bills.

Designed to encourage importers to use the yen rather than the dollar as an import currency, the loans will be extended at the Bank of Japan's discount rate (currently 5 per cent). Importers who settle bills through the New York Bankers' acceptance market—the normal route for short-term import financing in Japan—have to pay around 10 per cent.

The Bank of Japan (BoJ) last offered low interest rate import financing facilities in 1976 and 1979 when Japan's trade and current account balances were in embarrassing surplus.

At that time the maximum balance of outstanding loans under the scheme reached ¥240bn (\$88bn). BoJ officials believe that the demand for loans may be larger than this time because of expanded levels of trade. Bank of Japan import financing is intended primarily for the financing of manufactured goods imports, not imports of raw materials.

The Bank of Japan's import financing scheme is seen as an alternative to the establishment of yen bankers' acceptance market in Tokyo. This has been proposed by the Ministry of International Trade and Industry as a means of reducing import financing costs and encouraging a shift into the yen.

The Bank of Japan is believed to be lukewarm to the idea of a bankers' acceptance market.

India offered Soviet  
gas pipeline

By K. K. Sharma in New Delhi

RUSSIA HAS offered to build a pipeline to carry gas to India, the Indian Parliament was told yesterday.

Mr Gargi Shankar Mishra, Minister of State for Energy, said in reply to a question that during the visit of Mr V. P. Singh, the Commerce Minister, to the Soviet Union recently, the Russian State Planning Committee chairman said that his country was studying the possibility of sending the gas through the central Asian region to India.

Christian Tyler reports on an effort to make the West try harder  
Japan's travelling clinic for exporters

THE JAPANESE industrialists sit like doctors, paternally chiding their cantankerous patient for not helping them to make him well again. The patient fidgets. He wants to be polite, but cannot help bursting out: "I know you mean well, doctor, but can't you give me something for it?"

This scene, enacted in a London conference room this week, will be repeated in four other European cities over the next 10 days. It is the Japanese market access promotion mission, a travelling clinic of high-powered industrialists sent out to dispense lotion to aggrieved businessmen.

Armed with brochures, slides, simultaneous translators, and a patter alternately soothing and stern, the Japanese are once again trying to persuade Europe that their huge trade surplus with the West really can be

balanced—if only western companies would try harder in the Japanese market.

At their London "surgery," Mr Yohei Mimura, president of Mitsubishi, and his team were confronted by 10 British business samurai.

The British stepped forward and issued specific complaints and specific suggestions. But in most cases, the panel's prescription was the same—Japan is a cut-throat market where quality and price matter. Japanese consumers have no bias against imports; the seller must learn the preference of the Japanese consumer and must continually develop his product, deliver on time and modify when asked to.

Mr Ray Horrocks, chief executive of BL, asked about homologation of vehicles. Why would the Japanese not allow self-certification after a central approval had been given? The Japanese system has been much

simplified, he was told, and "it will fully meet your expectations and desires from now on."

Why, asked another businessman, does it take six or nine months to get a product accepted again when only its colour or the shape of the knobs have been changed? A long silence. "This could be a matter for the trade ombudsman," said the man from Mit.

The CBI's deputy director general, Mr Kenneth Edwards, protested: "Really you have told us nothing new. We believe it is not just our own shortcomings. There must be some positive discrimination if you are to succeed in increasing imports."

The clash of cultures was constantly evident—Western impatience and frustration against Oriental imperturbability. A man from Spode, the china company, tried to accuse the Japanese of being "work-

holics" with whom no-one could ever compete.

A more sophisticated version of the point was put by Mr Tom Ross, former president of Shell Kerosene. He did not believe Japanese barriers were any more mechanistic than those of other countries, nor was Japan more glibly than others of "diluting the pure milk of free trade." It was the whole business and cultural environment that was the deterrent.

People just feel the Japanese are particularly clever at keeping foreign business out.

His suggestion that the Japanese should employ foreigners or exchange academics to identify these cultural frictions was well received.

The doctors packed their bags yesterday and flew to Brussels. From there they will continue their missionary work in Paris, Düsseldorf, Cologne and Stockholm.

## Bechtel sees the Japanese coming

By OUR TRADE EDITOR

ONE OF Bechtel's prestige Middle East contracts, the new international airport at Riyadh, capital of Saudi Arabia, will be inaugurated tomorrow. Covering 240 sq km it is designed to handle up to 15m passengers a year by the end of the century.

Far East, Asia and Latin America and occasionally Eastern Europe. It is a secular trend that overshadows cyclical setbacks.

Bechtel's own figures—the few that this privately owned company releases—seem to tell a different story. The new work book is expected to bounce back by the year end to over \$10bn (\$6.7bn) worth of business, nearly double last year's and not far short of the 1980 business of \$11.3bn. Revenue from work in hand is projected to match or top last year's \$13.6bn.

But Bechtel expects new orders to fall "very dramatically" next year.

The downturn is most apparent in power plant, civil engineering and mining which together account for three-quarters of Bechtel's business. The petroleum side, which operates mainly from London,

reports a still-healthy order book in the North Sea and the Middle East and "reasonable" prospects in the Far East.

Bechtel is also finding its European competitors increasingly hard to beat, whether in their own markets or in third countries.

The persistent strength of the U.S. dollar is one reason. Another seems to be the aggressive project financing support European contractors get from their governmental agencies.

To qualify for that support, Bechtel is doing an increasing amount of its procurement abroad.

Fixed-interest lending for big projects is controlled by an OECD agreement known as the Consensus. But within the rules there is room for what Mr Hull calls "flexibility."

The West Germans, Americans and British are the greatest sticklers for the rules, with the Japanese reasonably so. "The more you need the business, the more imaginative you can become," he said. This is where the French excel: Mr Hull described their combination of mixed credits and diplomatic intelligence gathering as "brilliant." As for the Italians, well, they are the most flexible of all.

Bechtel finds the U.S. Export-

Import Bank "vacillating" in its level of support for U.S. exporters. It is now pressing the Bank to give export credits for consultancy services as well as hardware, arguing that consultancy contracts can often bring hardware orders to U.S. manufacturers and that the benefits of Eximbank support might thus be distributed more widely.

Bechtel complains, too, that it is handicapped by the U.S. territorial federal taxes on our nationals overseas which raises the cost to us. Today we often send British or Canadian nationals instead," Mr Hull said.

Bechtel's answer to the challenge from Europe and the East, says Mr Hull, is to look increasingly for joint ventures, to concentrate on the higher-technology end of the building business, to move further into project management and to deploy its expert teams in rehabilitation and maintenance of existing installations.

Bechtel sees some of the best future markets lying across the Pacific in Indonesia, Malaysia and above all China. It and when the Japanese make their expected full-scale landing in the U.S., they are likely to meet a lot of Bechtel men going the other way.

Brazilian  
mission in  
Africa to  
boost trade

By Andrew Whitley in Rio de Janeiro

PRESIDENT Joao Figueiredo of Brazil arrived in Lagos yesterday at the start of a five-nation African tour aimed at promoting trade and political ties with a region earmarked for special attention by Brazilian businessmen.

After Nigeria the Brazilian President, accompanied by a small group of ministers and businessmen, is to go on to Senegal, Guinea-Bissau, Algeria and the Cape Verde Islands. In Lagos, the Brazilians are hoping to achieve a breakthrough into the Nigerian arms market, traditionally dominated by Britain, offering their successful armoured cars and light tanks.

Petrobras, the Brazilian state oil company, is meanwhile competing with several major European companies for the right to refine Nigerian crude oil which would then be re-exported back as products. Nigeria is also viewed by Brazilian vehicle manufacturers, notably Volkswagen do Brasil, as a major market in the future—in competition with the French and Japanese.

However, Nigerian officials are reported to be insisting on reciprocal hard currency repayments, rather than the barter-type arrangements Brazil was interested in making.

U.S. trade with  
Iran increases

By Francis Ghiles

TRADE between the U.S. and Iran has increased dramatically during the first nine months of the year according to U.S. Government figures. Exports to Iran jumped 81 per cent to \$145m while imports from Iran, mainly oil, more than doubled to \$788m.

This latter figure probably underestimates the extent of U.S. goods flowing into Iran as official Iranian reticence to acknowledge direct ties with the U.S. means that many U.S. exports to Tehran move into Iran through third party countries, according to the New York-based Mideast Report.

Overall the U.S. trade surplus with Middle East countries increased threefold to \$6.72bn, its imports from this area declining by half to \$11.4bn.

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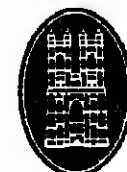
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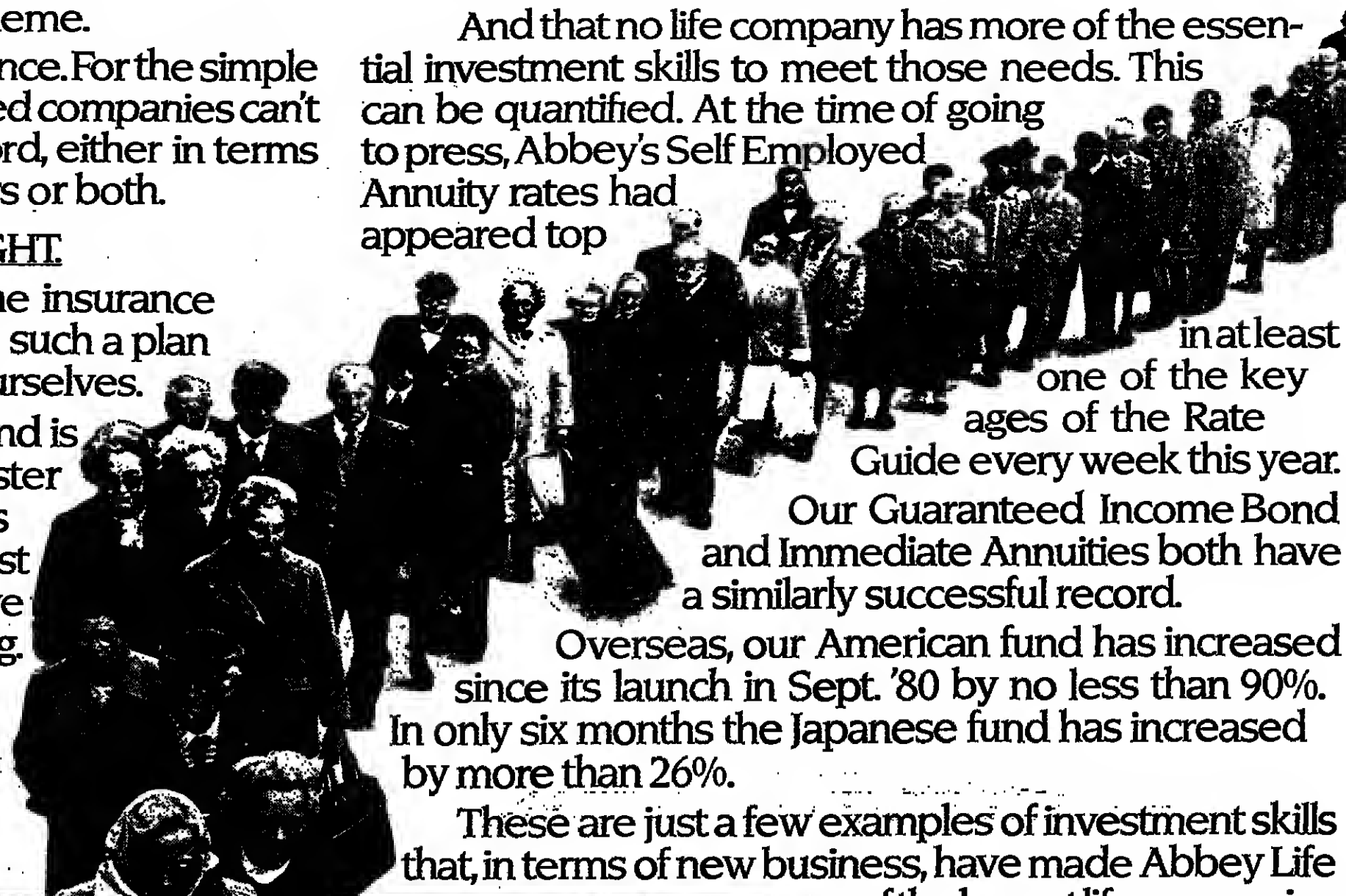
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## UK NEWS

## Walker raises doubts over state energy sale

BY ROBIN PAULEY AND IAN HARGREAVES

MR PETER WALKER, the Energy Secretary, yesterday offered qualified support for the privatisation of the gas and electricity industries.

In his first major speech on the subject, delivered to an FT conference in London, Mr Walker said he wanted to see substantial further privatisation during the lifetime of this Government, but he warned of several special difficulties which applied in privatising the energy utilities.

Mr Walker also warned his Cabinet colleagues that the Conservative Party could not win another general election with unemployment at present levels.

His main message on privatisation was that it required caution and detailed planning if it was to win the support of those who work in the industries affected, and be of real benefit to the country.

Special problems applied to the energy field, he said, because of the risks of creating a private sector monopoly instead of a public sector monopoly. There would need to be a strong regulatory regime and that would affect the marketability of shares.

He also pointed out that the £47bn of capital employed in electricity, gas and coal exceeded the combined annual issue of new equity and government securities. Care would be needed about the timing

of such a heavy call on the markets.

"We want a major programme of privatisation which succeeds and works and which basically has the support of industry as a whole. We must be very careful," he said.

In stating so strongly the importance of keeping the industries' own views on privatisation, Mr Walker was clearly distancing himself from the more swashbuckling approach of Mr Nigel Lawson, the Chancellor of the Exchequer.

Mr Lawson and the Treasury take the view that both gas production and marketing, along with showrooms, could be sold off separately.

Conference report, Page 13

## AIRLINES OPPOSE BID FOR ROUTE LICENCE

## New York air link challenged

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PIERCE OPPOSITION to the plans by British Midland Airways (BMA) to fly between Manchester, Prestwick and Glasgow (Abbotsinch) to New York emerged yesterday, when the Civil Aviation Authority began public hearings in London into the BMA bid for a route licence.

Not only are British Airways and the British Airports Authority lodging objections, but Air Canada is also an opponent.

The fiercest opposition came from the British Airports Authority, which argued in a pre-hearing statement that any changes in current government policy on the use of airports in Scotland could cost up to £40m - none of which British Midland would have to pay, but which would be borne on the airports authority's budget.

The authority said that approval for BMA's plan to fly transatlantic from Glasgow (Abbotsinch) "would call for a complete change in government policy towards the allocation of traffic between Scottish Lowland airports."

Prestwick is currently designated as the Scottish long-haul gateway to the North Atlantic air route. Any changes in that policy, said the authority, "would mean writing off assets at Prestwick valued at £25m, and would require expenditure of £15m at Glasgow to make it suitable for long-haul traffic" - a total of £40m.

At present Glasgow (Abbotsinch) is used solely for short-haul UK domestic and international traffic. To make it suitable for long-haul traffic would require "significant investment in passenger handling and operating facilities."

Prestwick, which handles about 247,000 passengers a year, employs over 800 people. Its North Atlantic traffic, both scheduled and charter, rose by 12 per cent in September.

The airport there is at present subject of an application to the Government to be designated as a freeport.

Air Canada, although not directly represented at the public hearing, has protested against BMA's plan in writing to the British Airports Authority.

Air Canada fears that any rival services from Abbotsinch would result in it losing much business through Prestwick to both the U.S. and Canada that it has built up over many years.

## Unions threaten to disrupt imports of milk

BY DAVID BRINDLE, LABOUR STAFF

TRADE union leaders have threatened to disrupt any imports of foreign milk allowed into Britain from today under new government regulations.

Although there will be a full debate on the issue tonight in the House of Commons, the ban on imports of ultra heat-treated (UHT) and sterilised milk was lifted from midnight after the European Court ruled that the United Kingdom was unfairly discriminating against UHT milk from other EEC countries.

The unions, who fear that jobs may be lost in the UK milk industry as a result of cheap imports, yesterday warned that their campaign to protect the doorstep delivery of milk, a long-established British custom, would lead to industrial action.

Mr Jack Ashwell, national secretary of the commercial services section of the Transport and General Workers' Union, said he expected French-style demonstrations and "blockades" of the ports involved. Dock workers might also be asked not to work on any containers carrying milk imports.

Mr Garfield Davies, national officer of the Union of Shop, Distributive and Allied Workers, said: "We will be reacting according to the circumstances, but we are certainly not going to expose our members to more and more job losses."

Udawa and the TGWU have been running a joint campaign against the Government's plan to lift the ban on imported milk. A petition

bearing a 'hoped-for' one million signatures is to be handed in at 10 Downing Street on Thursday.

The two unions say that an average fall of between 5 and 10 per cent in doorstep milk sales would make rounds "unprofitable" and would put at risk 75,000 jobs in the industry. They say jobs would also be threatened in the electric vehicle and road haulage industries.

The chief worry is not that imported UHT milk will take a big market share, but that cheap sterilised milk - which already meets about 6 per cent of milk demand - will soar in popularity.

● The price of milk in the UK is still among the highest in the EEC, claims a new survey published yesterday by the Consumers' Association.

The survey showed that the UK price of 21p a pint was only just behind the 21.5p per pint cost in Italy. Luxembourg came next, at 18.5p per pint, followed by France (18p), Denmark, Greece, and the Netherlands, all at 17.5p a pint. In Germany a pint cost 16.5p, while in Ireland it cost 16p.

The survey shows that Britain's shoppers are still paying too much for their milk, claimed Dr. Bill Roberts of the association's magazine "Which?". "The reason prices are so high is that there's no competition, which is why we believe it's so important for the Government to allow the sale of imported UHT and sterilised milk from the EEC."

## Holdings of BT shares to be limited

THE GOVERNMENT plans to prevent any single investor from owning more than 15 per cent of British Telecom (BT) when shares in the organisation are offered for sale next year.

Mr Kenneth Baker, Minister for Information Technology at the Department of Trade and Industry, said in a letter to Mr Andrew Rowe, MP for mid-Kent, that the restriction would be included in BT's articles of association and would prevent foreign investors from nominating directors.

This 15 per cent limit will keep individual shareholders below the level which normally enables a shareholder to secure the appointment of his candidate to a company board," Mr Baker said.

Similar restrictions were imposed on the sale of government holdings in Cable and Wireless and British Petroleum.

Mr Baker also sought to rebut accusations by BT's unions that privatisation could jeopardise BT's ability to provide telecommunications services essential for defence and national security. He said that BT's draft licence and the Telecommunications Bill contained special measures to safeguard these services. He was confident that privatisation would not prejudice the use of BT's network in emergencies.

● NOVOTEL, the French hotel group, has acquired the Cunard International Hotel in London from Trafalgar House in a deal worth £14.5m. The group plans to spend £2m on refurbishing the hotel with a view to developing its appeal to French visitors in London.

● BRITISH TELECOM (BT) appears to have held back from sacking about 50 members of the Post Office Engineering Union who have been on strike in central London against the privatisation of BT. Neither BT nor the POEU revealed the outcome of yesterday's talks over the threatened sackings, but it seems likely that BT held back on condition that the union agreed to instruct a number of its members to resume normal working.

● GENERAL MOTORS' car sales topped those of BL during the first 10 days of this month. GM, using the Vauxhall-Opel brands, gained an 18.2 per cent share of the market compared with BL's 17.4 per cent.

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## Shell strikers spread secondary picketing

BY BRIAN GROOM, LABOUR STAFF

SHELL OIL refinery workers on strike over a 4.5 per cent pay offer increased their challenge to the Government's labour laws by spreading secondary picketing around the country in defiance of the Employment Act 1980.

Their action comes on the eve of a crucial meeting today at which Shell will try to prevent its 1,750 tanker drivers and depot workers from stepping up an overtime ban over a similar pay offer into an all-out national strike.

The refinery workers' picketing has halted deliveries of Shell petrol and oil products from six terminals and the Barton lubricants plant near Manchester, which together account for more than one-third of the company's tanker drivers.

Terminals affected are at Stanlow and Haydock in the North-West, Shellhaven in Essex, Wandsworth, Ipswich and Buncfield near Hemel Hempstead. The rest of Shell's 33 general terminals and its 11 airport centres are suffering only from the effects of the drivers' overtime ban.

The dispute has exposed the limited usefulness of the 1980 Act's secondary picketing provisions. Three weeks ago Shell obtained High Court injunctions restraining two Stanlow refinery stewards from organising pickets at Haydock.

Picketing has continued by other workers and Shell has made no further moves to enforce its legal action. These could exacerbate the dispute, and Shell appears unwilling to risk putting its employees in prison.

Apart from those terminals halted by picketing, the drivers' overtime ban, and work-to-rule is causing only limited disruption. The company said drivers at Killingholme, Humberside, Torkey near Leeds, Caernarvon in North Wales, and Dalton near Whitehaven were working normally.

Shell meets negotiators from the Transport and General Workers' Union (TGWU) today, and a shop stewards' conference will be held on Friday. Stewards are threatening a strike if the 4.5 per cent is not improved.

## Guinness Peat wins Moorside takeover

BY DAVID LASCELLES

GUINNESS PEAT won approval from its shareholders yesterday for the controversial £20m takeover of Moorside Investment Trust, paving the way for a major recapitalisation of the ailing financial services group.

At a London meeting shareholders cast 45 per cent of their votes in favour, and 35.5 per cent against; a firm, though not overwhelming, show of support for management which said the deal was vital to the group's recovery from years of crippling losses and debts.

Despite the publicity and strong feeling sparked by the deal, the meeting was an orderly affair lasting less than an hour at which only one person attacked the deal with any passion. He was later found not to be on the shareholders' roll.

Virtually all the dissenting votes were cast by the family of Lord Kissin, who founded Guinness Peat, and the Cofi group of Italy; whose director Dr Giorgio Rossi recently resigned from GP's board over the terms of the deal. Both factions believe GP has put too cheap a price on the shares it intends to issue to pay for Moorside.

Mr Alastair Morton, who took over as chief executive nearly two years ago when GP was deep in the red, said he was delighted by the heavy turnout. "Now we can get on with running the company with a decent balance sheet behind it."

Mr Robert Kissin, the son of Lord Kissin and a GP director, who represented the Kissins at the meeting, said before the vote was taken that he would accept it if it went against him.

The acquisition is designed to boost GP's capital and reduce its large bank debt. GP will pay for Moorside by issuing up to a third more shares, and will then liquidate the trust and use the proceeds to strengthen its balance sheet. It should emerge with a higher net worth and healthier capital ratios.

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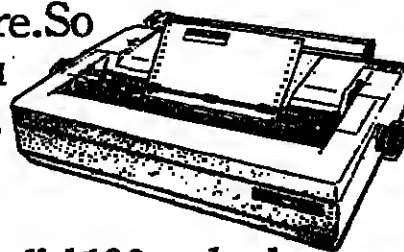
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## UK NEWS

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rewarding'  
for small  
companies

## Low rating for Britain in survey on business opportunities in the European Community

SMALL BUSINESSES ambitious to make big profits should establish themselves in the Federal Republic of Germany or in Greece - but they should steer well clear of the Republic of Ireland, the United Kingdom and Italy, Tim Dickson writes.

This is one of the main conclusions of a controversial new study which compares the legal and economic environment for small businesses in the 10 member states of the European Community.

Research for the report, whose main findings were disclosed yesterday, but which will not be available in full until next month, was carried out by the Economist Intelligence Unit (EIU).

The conclusions challenge not only the Conservative Party's sometimes extravagant claims on behalf of small businesses in Britain, but also the conventional wisdom that Italy has a thriving small business sector.

The study found that "competitive conditions for business in the Community are seriously obstructed by great variances in the social

and economic regimes within which business enterprises operate."

Companies with fewer than 500 employees were covered by the study, but in some cases the survey was restricted to the business climate of the capital city of a country.

Six environmental factors were taken into account - labour (costs and employment legislation), premises, taxation, access to capital and credit, economic activity and discriminant legislation.

Discriminant legislation and labour were given the biggest weight-

ings, with capital third and premises and economic activity considered of lesser importance.

Although the UK came top of the taxation league, it achieved lowest marks for labour, premises and discriminant legislation.

"We felt that where a Government does not discriminate in favour of small businesses, it is automatically discriminating against them," Mr Vernon Weaver, former administrator of the U.S. Small Business Administration (SBA) said.

HOW THE COUNTRIES  
RANKED

1. Federal Republic of Germany
2. Greece
3. France
4. Netherlands
5. Denmark
6. Belgium
7. Luxembourg
8. Republic of Ireland
9. United Kingdom
10. Italy

Interest shown in  
acquiring IBH  
subsidiaries in UK

BY LORNE BARLING

THE FUTURE of more than 1,000 jobs in two leading UK construction equipment companies, Winget and Blaw-Knox, are now in the balance following the collapse of their West German parent, Witten AG and IBH Holdings.

The two British companies, employing around 350 people at Gloucester and a further 650 at Rochester and Watford, are in the hands of the receiver. However, it appears there is considerable interest from prospective purchasers.

Mr Archie Thomson, managing director of Witten UK, said both companies had benefited from investment since they were bought by Witten from Babcock International, the UK engineering group, in September last year. Their turnover this year had been expected to be around £35m.

He admitted that there could be problems concerning money owed to the UK company from sales subsidiaries of the German company in France and the U.S. whose assets would be frozen.

In the UK, short-time working was expected to increase initially at both companies.

Winget manufactures a range of small dumpers, concrete mixers and similar light construction equipment at Gloucester, while Blaw-Knox at Rochester is a leading producer of road paving machinery.

Mr Thomson said Winget had recently consolidated all its activities at Gloucester, shutting down surplus facilities. It had benefited since the start of the year from improved

activity in the UK housebuilding industry.

Blaw-Knox had also performed well, with the result that Witten UK had made a small operating profit in the first half of this year, compared with losses during the past two years under the ownership of Babcock.

But he admitted that the company was highly geared and during the early part of this year attempts had been made to restructure its borrowing. This had not been possible due to the problems of the German parent company.

"We did derive some technical advantage from Witten, which allowed us to improve our product range and increase the volume of our business," Mr Thomson said, adding that UK market conditions had begun to improve.

He believed the trend towards profitability would have continued but for the German collapse, and that there was strong brand loyalty. The receivers, Mr Nigel Hamilton and Mr Bill Mackay of Ernst and Whinney, said the UK companies position was greatly complicated by the international aspects, and that contact had yet to be made with the German parent.

It was likely, however, that the British manufacturing operation would survive in view of the strength of the products, and the strong initial interest from possible purchasers.

© GEC Turbine Generators is cutting 650 jobs at three of its four UK factories as a result of falling world demand for power generated plant.

## PROTESTS FOLLOW ARRIVAL OF CRUISE

Demonstrator sprays  
paint at Heseltine

FINANCIAL TIMES REPORTER

MR MICHAEL HESELTINE, the UK Defence Secretary, was sprayed with red paint yesterday when he arrived to speak at a Conservative students' union meeting at Manchester University. The paint was sprayed over his face and hair by one of 200 demonstrators outside the union's headquarters.

The Defence Secretary looked shaken, and he was then kept in a corridor for 50 minutes by jeering demonstrators who prevented him from entering the debating hall. Police eventually forced a way through for him and, as he walked onto the platform, two eggs were thrown.

His speech was continually interrupted. About 50 people in the audience chanted "jobs not bombs" and the protests cut his speech from a planned 45 minutes to 10 minutes.

Mr Heseltine said that for Britain to abandon its commitments would be to send a message to Mr Yuri Andropov, the Soviet party chairman, that the British Government could be intimidated "by the sort of tactics that have been involved here this morning."

The demonstrations came the day after the arrival of the first U.S. cruise missiles in Britain. Mrs Joan Ruddock, chairman of the Campaign for Nuclear Disarmament (CND), said the arrival of the missiles was not the end of the battle "but the beginning of a new phase of the peace movement." CND said it intended to make deployment of the missiles physically and politically impossible.

Mr Richard Weaver, of Manchester University CND, said yesterday that they regretted the disruption to Mr Heseltine's meeting. "CND were not connected with the interruptions. It was the Socialist Workers students' organisation and the Revolutionary Communist Party."

Mr Bruce Kent, CND's general secretary, said he condemned the paint attack on the Defence Secretary. CND's policy on direct action was that it should be non-violent and well considered. The spraying of paint on Michael Heseltine was neither of these and we condemn it."

On Monday Mr Kent was sharply criticised by leading Conservatives, including Mr Heseltine, for praising the British Communist Party's involvement in the peace movement. Mr Kent had attended the party's congress in London on Sunday and said, "My appearance here is something I owe you, and we owe you, for what has been happening over these last few years."

"During the lean years of disarmament, when very little appeared to be going on, the Society of Friends and the Communist Party were two groups which did an enormous amount to keep the flag waving when others had gone away."

He added: "I have never known any actions where the Communist Party has attempted to achieve sectarian advantage, to manipulate or to manoeuvre for victory out of the CND." Later, he described the British Communist Party as "by no means pro-Soviet."

Mr Heseltine on Monday accused Mr Kent of "barrying naively in the paint of recklessness." Mr John Selwyn Gummer, the chairman of the Conservative Party, called for Mr Kent's resignation from CND. "His judgment endangers us all," he said. "He's either congenitally confused or purposely blind. Unilateralists and multilateralists can unite on one thing - Bruce Kent must go. Labour MPs defended Mr Kent."

Cardinal Basil Hume, Archbishop of Westminster and head of the Roman Catholic Church in Britain, has called for a transcript of Mr Kent's speech and asked to see him later this week to discuss it. There has been previous criticism of Mr Kent for engaging in politics while ordained as a priest.

Sir John Biggs-Davison, a Conservative MP and a Roman Catholic, asked Cardinal Hume to "review the position" of Mr Kent after the latter's speech at the Communist Party congress. The Cardinal's office issued a statement saying, "It has always been understood that although given permission by the Cardinal to undertake work with CND, Mr Kent speaks in his own name and not on behalf of the Roman Catholic Church."

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## THE MANAGEMENT PAGE:

EDITED BY CHRISTOPHER LORENZ

JAPANESE companies are renowned for spending far more time than their Western counterparts on decision-making, and for following through with a blind determination once they have set a course. Sometimes, however, a variant on this pattern seems to occur. Companies that have not done their homework adequately have been known to demonstrate the same amount of dedication in trying to implement a mistaken strategy, thereby heading straight for disaster — or for a situation in which banks have to come to the rescue.

The spectacular reconstruction of Toyo Kogyo, Japan's number three car maker, in the mid-1970s after the company had gambled unsuccessfully on the future of the rotary engine, is one example of what happens when a Japanese company starts heading down the wrong road with too much enthusiasm. Recently, the number two motor cycle manufacturer, Yamaha Motor, became another example of the same phenomenon. Some time in 1980, when the Japanese motor cycle market was showing apparently healthy growth, Yamaha decided to launch a drive to overtake Honda as the leader in the domestic market mainly by pushing sales of the small 50 cc bikes in which the company specialises.

The result, three years later, is that Yamaha's motor cycle division, which accounts for about 70 per cent of its turnover, is operating at less than 30 per cent of capacity as the company struggles to unload stocks running into hundreds of thousands. Yamaha is expected to pay for its rashness this year with losses of around ¥33bn (nearly \$55m) and to register another substantial loss in 1984-85.

None of this means, however, that Japan's (and the world's) second largest motor cycle manufacturer is finished as a company. The mood at Yamaha's headquarters near the west central city of Hamamatsu is certainly sadder and wiser than that of two years ago, but the main accent seems to be on learning from the company's monumental misjudgements rather than accepting that Yamaha has finally lost out in the battle to sell motor cycles.

According to Hideto Eguchi, the man who took over as president this summer after the former top management had resigned because of their responsibility for the company's errors, there were at least three major reasons why the Yamaha "beat Honda" strategy came so badly unstuck in 1982. Eguchi claims that there was a misunderstanding from the start between his predecessors in the boardroom and the company's rank and file

## Why Yamaha was forced to retrench

Charles Smith on a battle that backfired for supremacy in Japan's motor-cycle industry

THE BATTLE FOR MARKET SHARE

	Production (m. units)	Share of domestic market (%)
	1980 1981 1982 1983*	1980 1981 1982 1983*
Yamaha	2.24 2.79 2.64 2.82	35 36 33 29
Honda	3.09 3.59 3.64 2.61	43 39 46 49

\* Yamaha figures are for the first six months of 1983; Honda figures are for the first nine months of the year.

middle management about how seriously the strategy was meant to be taken. "The leaders had to say 'some day we'll beat Honda,'" Eguchi says, but initially this was meant more as a rallying cry than as a blue-print for stepping up production.

Eguchi adds that, at the time Yamaha launched its offensive, there was already significant over-production in the Japanese motor-cycle industry though this fact seems to have been ignored or overlooked by all the main companies. The big producers turned out 7.5m units in 1981 but sales (including exports) came to only 7m units.

Eguchi says that at the start of 1982 when Yamaha was getting into top gear in its battle against Honda all the main motor cycle manufacturers published very large sales and production target figures—and then broke with tradition by actually implementing them.

"During the early part of the year," Eguchi says, "we had our own ex-factory shipment figures and those of our competitors to go on, but we could not keep track of actual sales." The reason for this was that, while the Japanese Government publishes figures for registrations of "sports" bikes (those with large engine capacity), it does not release figures for 50cc registrations. It was in the 50cc market, where overall market shares tend to be determined, that Yamaha was mounting its maximum efforts.

Eguchi says that Yamaha's top management finally began to realise by the middle of 1982 that a serious gap was opening up between its ex-factory shipments and the actual trend of sales in the home market. When the company did realise the problem it cut production by 700,000 units from 2.9m to 2.2m units per year.

This initial cut, however, turned out to be not nearly enough. By early 1983, with Japanese domestic stocks close to double normal levels, the company decided to cut back production to 1.5m units a year or barely more than 25 per cent of its capacity. A few months ago the cut was deepened further, to 1.35m units.

Eguchi cites lack of information as the most serious factor behind Yamaha's disastrous miscalculation in its war against Honda. However, there seems no doubt that Honda itself also contributed significantly to Yamaha's discomfiture. In 1981, when "normal" competition was under way in the Japanese motor cycle industry, Honda came out with 27 new models, or roughly the same number as Yamaha itself. In 1982 this number was upped to 45 (or nearly one new model per week) as Honda switched design staff from its four-wheeled vehicle divisions to its motor cycle division.

Honda's new models meant more competition for Yamaha

in its stronghold at the lower end of the domestic market but also led to the spread of discounting on sales of older models. Eguchi says there is an understanding among domestic motor cycle dealers in Japan that discount will not be offered to customers on a new model until a year after it has hit the market. The deluge of new models in 1982, however, meant enormously increased pressure on dealers to unload their old models.

A final, and rather ironical, reason for Yamaha's unsuccessful embroilment in the H-Y sales war (as the Japanese press dubbed it) seems to have been that the company's position as a member of the long established and soundly-based Yamaha Group made it all too easy to raise the money needed to increase production capacity and take on Honda. Although it ranks as the world's number two motor cycle manufacturer, Yamaha has a separate identity as the 35 per cent owned affiliate of Nippon Gakki, the company that dominates Japan's musical instruments market and whose chairman, Genichi Kawakami, was one of the legendary entrepreneurs of Japan's post-war decades.

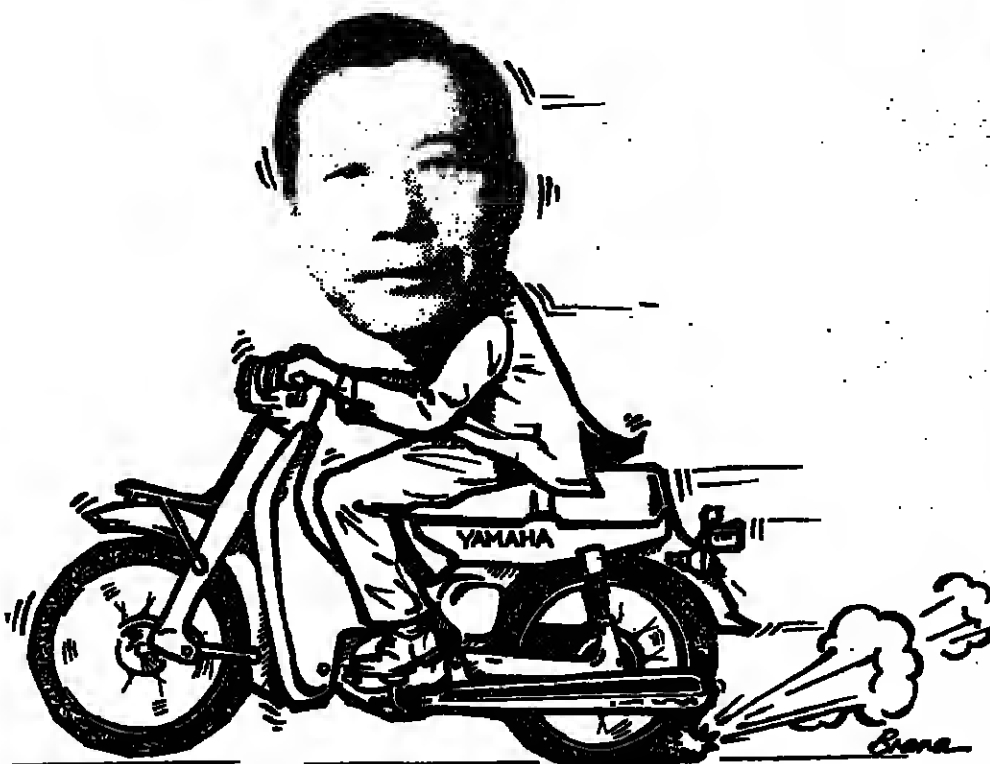
The fact that Kawakami was chairman of Yamaha Motor until August of this year, besides being both Chairman and President of Nippon Gakki, almost certainly lent more credibility to the former company's rash

onslaught on Honda's market share, but this does not necessarily mean that Kawakami himself knew exactly what was going on.

Kawakami told journalists at a press conference in August (held to announce management changes in the group that included his own retirement) that he had never been on top of the details of the plan to overtake Honda. Kawakami's position as chairman gave him control over personnel changes at Yamaha Motor but day-to-day business decisions during the crucial period between early 1981 and the spring of this year were taken by the President, Hisao Koike.

With Koike in disgrace and with Kawakami having withdrawn into partial retirement (though he remains chairman of the parent Nippon Gakki company) the reconstruction of Yamaha Motor depends on the efforts of Eguchi (who was installed as President in August after a hasty transfer from the Yamaha Music Foundation) and Seisuke Ueshima who moved over from the deputy chairmanship of Nippon Gakki to occupy the chairman's seat at Yamaha.

Both Eguchi and Ueshima have spent their careers switching between the motor cycle and musical instruments divisions of the Yamaha empire. Both also have probably inherited a fair share of the trust that the group's three main banks (Fujii, Dai-ichi Kangyo



## BUSINESS PROBLEMS BY CHRISTOPHER LORENZ

### Renewal of a lease

I refer to your reply on September 7 under "Tenancy agreement" where a business tenancy held on lease for a great many years had to terminate and the tenant find new premises elsewhere on expiry of the lease because of reconstruction or development and sale by the landlord. You mentioned that this was a legitimate reason for not renewing the lease (under Part II of the Landlord and Tenant Act 1954).

Could you advise me (1) if the landlord would be liable to pay the leaseholder compensation for goodwill and possible loss of profits, or for non-renewal of the lease, or would these be a debt of the purchaser of the property?—a private company. (2) How should compensation for such goodwill or lease be calculated?

Compensation is payable under the provisions of Section 37 of the Landlord and Tenant Act 1954 (as amended). It is payable by the landlord to the outgoing tenant (where the landlord opposes the grant of a new tenancy on the grounds that he requires the premises for his own use or that he can obtain better rent by letting the premises together with other premises or that he requires to demolish and reconstruct the premises. The amount of compensation is 2½ times the rateable value or, where the tenant has carried on a business in the holding for the whole of the preceding 14 years, twice that figure.

### Krugerrand profits tax

I understand that a commentator on a recent radio programme said that there was no need to declare profits made on purchasing and subsequently selling Krugerrands for the purposes of Capital Gains Tax on the grounds that the coins are legal tender. Would you care to comment?

The probable explanation is that the comment was intended to relate to sovereigns (minted after 1837), by virtue of section 19(1)(b) of the CGT Act 1979. Krugerrand transactions, were mentioned in our Business Problems column on April 7 and September 1, last year, and in our Finance and the Family column on January 2 last year.

Krugerrands are "securities" as defined in section 88(9)(b) of the Finance Act 1982, of course; so may individual holders must have been dismayed to learn, on March 15, that the former Chancellor had eventually decided not to fulfil the Financial Secretary's undertaking (on December 23) that parallel pooling would be made available to all taxpayers who wanted it.

### Commission

I recently purchased some unit trusts for myself and since I have an agency I received 1½ per cent commission on the transaction. How do I treat this for tax?

If you were simply allowed to pay the managers 1½ per cent less than the price quoted to the public, then the price actually paid is the cost for CGT purposes. If the form of the transaction was not so simple, however, the taxation consequences may be different. You have not given us adequate precise facts for a clear reply.

### Savings interest

I am the treasurer of a sports club and am thinking of opening a savings account for the club. The money we have at our disposal is not large, it is derived from membership and match fees and various fund-raising activities organised by parents. Would the interest received be subject to tax?

Subject to what the Chancellor may say next spring, the interest will attract 38 per cent corporation tax (under section 226(5) of the Income and Corporation Taxes Act 1970 and section 18 of the Finance Act 1983). Since the club is not a charity (presumably), the proceeds of the fund raising activities may also be taxable; you may like to ask your local tax inspector for a copy of the free booklet of extra statutory concessions (IRL) with annual supplements) and look at concession CS, which covers business jumble sales etc. Of course, the inspector may decide not to bother to collect tax from the club, if the amounts are small each year.

All treasurers of voluntary organisations should read the free pamphlet IR46 (clubs, societies and associations), which is obtainable from any tax inspector's office.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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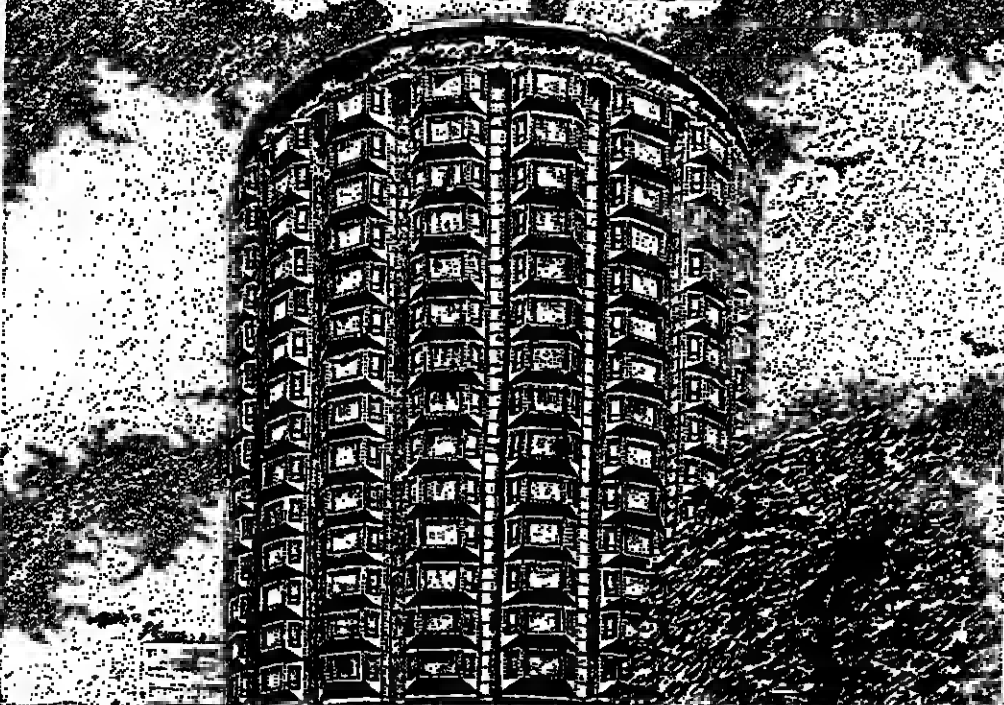
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## AMERICAN NEWS

## Florida's banks: trying to hold on to the plums

By William Hall in New York

HIGH ABOVE Miami's bustling cruise ship harbour they are putting the finishing touches to the new 55 storey headquarters of the Southeast Banking Corporation, Florida's premier bank, which will dominate the Miami skyline for years to come.

Whether Southeast Bank will dominate the Miami business community in the same way is another matter. The bank, which opened its doors in 1902, six years after Henry Flagler brought the railroad to town and founded the city, has been the biggest bank in the region for as long as anyone remembers.

However, Southeast has hit a rough patch and the vultures are beginning to gather. Earlier this year, its long drawn out battle to take over Florida National Bank, number four in the state, failed, and to make matters worse it was disclosed as Florida's biggest bank by its young and aggressive rival, Barnett Bank.

Its problems have been compounded by legal wrangles with various groups of dissident shareholders who bought a 26 per cent stake in the company a couple of years ago when the share price was depressed. The lawsuits involved have occupied

management time, stymied expansion plans and coincided with a further setback in the bank's profitability.

Southeast has portrayed the dissident shareholders as a bunch of short-term speculators more interested in making a fast buck than in the long term prospects of the bank. The latter have counter-attacked, arguing that Southeast's management seemed more interested in keeping well paid jobs and protecting the bank from unwelcome bids, by alterations in the bank's articles of association, than in maximising shareholders' returns.

Matters came to a head in mid-September when Southeast announced that it had acquired an option to buy out the dissident shareholders for nearly \$150m on the condition they did not buy another share in the bank for at least 10 years. Southeast is offering dissident shareholders \$33 per share, compared with \$27 in the market immediately prior to the announcement.

Following the news, Southeast's share price fell sharply (last week it was trading under \$24) and eyebrows were raised in those parts of the Miami business community not represented on Southeast's board.

How could the bank justify buying out a minority standing to make more than \$50m on the deal?

Charlie Zwick, Southeast's chairman and chief executive, stresses that the action is in the best interests of the company and its shareholders. "Our objective is to get this behind us and to run our institution. This is still the premier franchise in the best banking market in the U.S. We must be free to maximise this franchise."

Charlie Zwick's problem is an acute version of one which most of Florida's big banks will have to face over the next few years. Whereas California was the "hot" banking market of the 1960s, and Texas the market to be in the 1970s, Florida is generally regarded as the plum banking market of the 1980s.

A steady stream of wealthy retired people from the north has swelled Florida's bank deposits to more than \$100bn and made it one of the cheapest sources of funds for U.S. banks. Meanwhile, its population is growing faster than that of any major state, and is lined up by the end of the century to have overtaken New York and have the third highest population of

a U.S. state, after California and Texas.

For the big New York City banks, which have billions of dollars of low yielding international loans out to countries like Brazil, Florida is the sort of banking market they dream about now that the glamour has gone out of international banking.

Competition in Florida banking was fragmented until recently, deposits are still cheap, and it promises good long term growth, whereas New York State is set to decline in population size in the years ahead. The New York banks are lining up to enter the market.

"If Walt Wriston (chief executive of Citicorp), were sitting here, he might say in 1989 Citicorp will be a better bank than Southeast. Maybe he is right, but I think he is wrong. I think he has got a bigger problem than I have. In any event, I would like to have the contest played out in 1989 and not just be bought out at some fancy multiple so the game is never played," says Zwick.

For the time being, Citicorp and the other money centre banks are forbidden from moving into Florida by buying a bank like Southeast, although local bankers admit that more than half the commercial lending in the state is already being done by out-of-state banks. The attraction for out-of-state banks is the ability to take local deposits, and Florida bankers are conscious that sooner or later the barriers will fall and that they will have to face up to new competition for their savings deposits and demand deposit balances.

The question is: should Florida's banks sit around and wait to be auctioned off to the highest bidder or should they

## NCNB's \$400m INVESTMENT

While the big New York banks are still cooling their heels on the sidelines, the one out-of-state bank which has jumped into the Florida banking market in a big way is the North Carolina, Charlotte-based NCNB Corporation, the biggest bank in the South East of the country.

In less than two years it has spent more than \$400m buying its way into the number four position in Florida. NCNB has been able to buy local banks because of its ownership of the Trust Company of Florida, which it has had for years. "We did nothing in Florida until 1981 because we did not know we were allowed to," admits Don Buchanan, NCNB's top man in that state. However, NCNB's lawyers thought otherwise, and in January, 1982, the group decided to test the water with the purchase of the small First

National Bank of Lake City.

They met no opposition. Since then they have acquired three more banks culminating in the \$150m acquisition of Ellis Bancorp in the summer. The spending spree means they have \$4bn of assets, and a network of 150 offices. NCNB has 23 per cent of its local North Carolina market, but executives are already talking of the day when NCNB's Florida operations will be bigger than its North Carolina operations.

Like other out-of-state banks, the big attraction for NCNB in Florida was the deposits it could gather. "Historically, we have grown our assets faster than we have grown our liabilities, with the result that we have become more and more dependent on wholesale money," says Buchanan. But following the Florida acquisitions the proportion of customer deposits

in the balance sheet has risen from 21 per cent to 34 per cent. "That is what Florida is all about."

"It is clearly everybody's number one banking market in the U.S. It is a very deposit rich, fast growing market. From the standpoint of the banking industry, to the extent that you can obtain a foothold in such a market, it gives you access to customer base deposits, rather than having to purchase funds to fund your assets," concludes Buchanan.

The other big attraction for NCNB in Florida was the fact that it has not been aggressively banked in the past. Florida's banks have had a reputation of ignoring corporate lending, which NCNB feels it can exploit. It has set itself a target of doubling its commercial credit from \$650m to \$1.2bn by the end of 1983.

the North Carolina banks, with which he is most familiar have operating expense to income ratios of between 47 per cent and 50 per cent whereas the less efficient Florida banks have ratios in the upper 60s. "You have to be 52 per cent or less or you cannot stay in the ball game," says Dougherty, who insists that Southeast will be down to that level at least within the next three years.

Zwick and Dougherty stress that while the group's short-term profitability does not match that of some other Florida banks, Southeast's performance is turning round. Over the five years to end 1982, Southeast's earnings per share grew at a compound rate of 22 per cent and while 1982 is proving disappointing, with nine months earnings up only 3 per cent, Zwick and his team are confident that given time they can justify the shareholders' support.

There are obviously some small shareholders who would have liked to have been bought out at \$23 per share, admits Zwick, "but our objective is to maximise this franchise, and over the next several years they should be better off by our action. If they are not we made the wrong decision."

"If three to five years from now, inter-state banking is implemented and an insurance company, or some one like Mobil Oil or Citicorp, wants to pay twice book value for Southeast, we will look at the deal," says Zwick. "All I am saying is that it may very well be that people recognise that a well run, reasonably sized regional bank is a better long term investment than a New York money centre bank weighed down by bad international loans."

## FLORIDA'S MAJOR INDIGENEOUS BANKS

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## ENERGY REVIEW

## Elf reviews prospects in Guatemala

By William Chislett, recently in Guatemala

GUATEMALA, the Central American republic which borders Mexico, the world's fourth largest oil producer, has just unveiled its new oil law, which it hopes will entice foreign companies to explore its largely virgin jungle territory and come up with the riches of its neighbour.

The law, however, is being overshadowed by the strong possibility that Elf Aquitaine, the French state-owned oil company and only producer in Guatemala at the moment, may pull out of the country. This could badly undermine its objectives.

Elf is finding Guatemala very expensive and unproductive and is seriously reviewing its position. In three years the company has invested almost \$300m but its gross sales so far are only about \$30m.

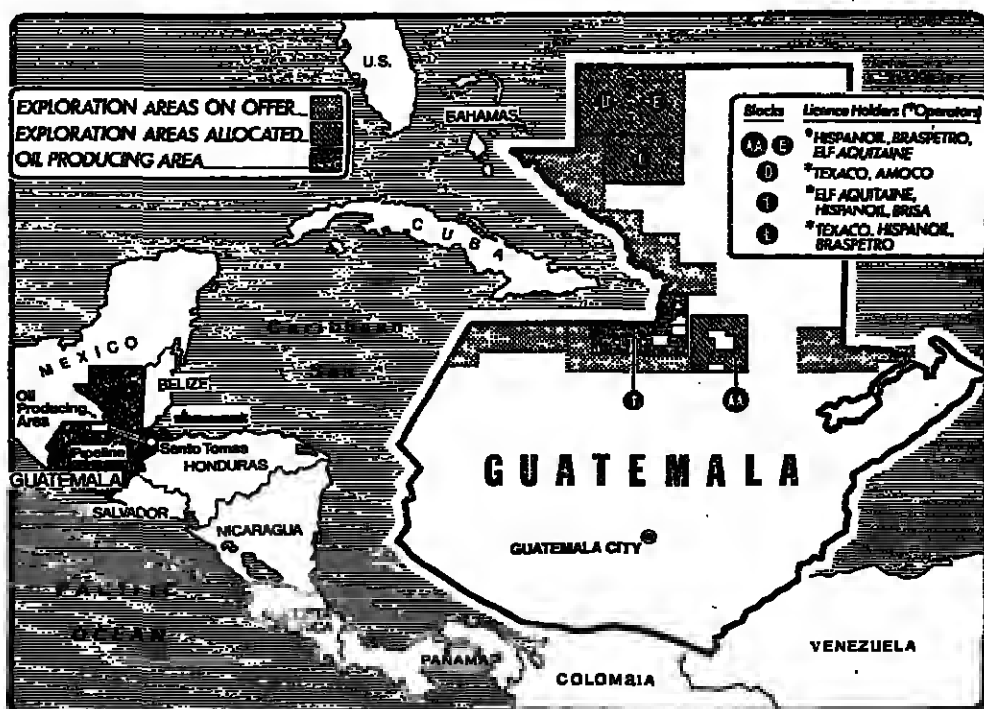
Furthermore, Elf is being sued for \$293m by one of its partners, Basic Resources International, whose chairman is Sir James Goldsmith, for alleged gross negligence and reckless spending. Elf, in return, has made a counter-claim against Basic for \$35m of cash calls, which it says were not paid, and additional damages yet to be evaluated for harm it says has been done to its goodwill.

Guatemala is a marginal producer of 6,000 to 8,000 barrels a day from just 10 wells. Proven reserves are estimated at about 14m barrels and potential reserves at 800m to 1bn. These are conservative figures, says Lt Col Alejandro Contreras, Oil Minister in Guatemala's military Government, as they take into account only a small proportion of the territory which has been explored.

But Elf's experience suggests, at least, that the prospects for greatly increased production do not appear to be good. Guatemala, however, needs to produce only 25,000 to 30,000 b/d to be self-sufficient in oil.

Elf became the operator in 1980 of a contract area previously run by Basic Resources International through an affiliate called Petromaya. Elf has 43 per cent of the joint venture, Hispanoil, the Spanish state oil concern, 33 per cent and Basic (Brisa) 24 per cent. Elf is involved in two other joint ventures with Texaco and Braspetro of Brazil in different parts of Guatemala. Its operation with Basic is the only producing venture.

Elf came with high expectations. The area where it is operating is said to be in the same basin as Mexico's highly



Bob Hutchinson

productive Reforma fields, but the company now disputes this. Elf has had poor results and what it has achieved has cost far more than it budgeted for. It is having to drill into fractured limestone located between anhydrite zones. Drilling is severely complicated by sudden switch of geological gradients.

"Whereas you can drill 10,000 feet in 15 days in Nigerian sands, here it takes three to six months to achieve that," said a disgruntled engineer.

The reservoir porosity, says Elf, is very low. The oil bearing reservoirs are quickly depleted. The life span of Elf's reservoirs so far is less than a year on average.

On top of this, the crude contains 2,000 to 9,000 parts per million of hydrogen sulphide gas and 30 per cent water. There is a processing plant in the middle of the jungle where the very high sulphur and water content are extracted before the oil is sent through a 150-mile long overland pipeline with a capacity of 30,000 b/d to the Caribbean port of Santo Tomas for export to the U.S.

The cost of drilling wells has been as much as \$28m, while the drop in world oil prices has reduced revenue. The return on Elf's investment has there-

fore been minimal. The company says its well at Caribe, whose current output is 700 b/d, produced at a loss last year. It cost \$12.7 to produce each barrel, taking into account surface and maintenance costs. Under its production sharing agreement with the Guatemalan Government Elf earned \$8-10 a barrel from this well.

Under the old law, which has now been replaced, the state received 55 per cent of production (in cash or kind) for the first 25,000 barrels and Elf the remaining 45 per cent, which then had to be divided with Basic and Hispanoil. Elf estimates its average production costs for all its wells at about \$7 a barrel.

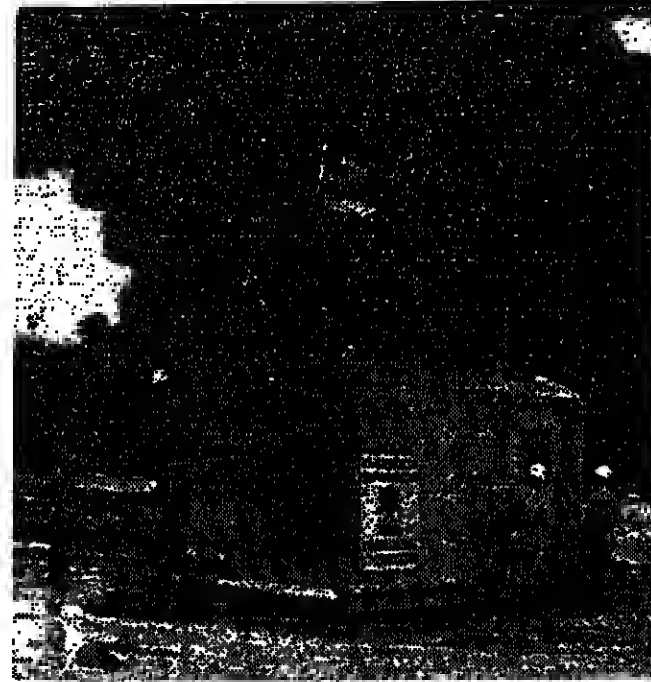
Elf's strike at its Tierra Blanca site exemplifies its problems. Initially there was great excitement when the first drill tests indicated an average flow of 6,000 to 6,500 b/d from a four foot reservoir—one at a depth of 11,226 ft, a record for the country.

However, the oil is heavy (18 degrees API) and Elf says the well, which is producing 1,200 b/d, will be exhausted by January. Reservoir pressure has quickly dropped. The drying up of this well will bring Elf's production down to an average of about 5,500 b/d in 1984, from about 6,500 b/d this year—unless the company

makes new discoveries. Apart from the costs, the physical conditions of working in Guatemala have also been tough: Elf's site is in the middle of inhospitable jungle. The only signs of human habitation are the villages of thatched-roof huts made by Guatemalan Indians, who followed Elf to the site in the hope of benefiting from the development.

The pipeline has been punctured with bullets by guerrillas on several occasions. In 1981 the processing plant was put out of action for two weeks when rebels shattered the pumps with dynamite and sprayed the panel of the control room with bullets. Engineers still show off the bullet holes. Civil defence units, armed with a motley collection of hunting rifles, patrol the area.

Elf also feels put out by the new oil law which it says "discriminates" against companies already working in Guatemala in favour of attracting new companies. Elf and other companies at present working in Guatemala have the option to switch to the new law or continue with the old regulations. The new law is less favourable to current operators because under it they would have to drill extra development wells, although Lt-Col Contreras says



Elf's key operation in Guatemala.

this is a negotiable point.

The main incentive in the new legislation is that it allows a company to recover its costs for exploration, development and production before the state shares in output—over and above a base royalty of 20 per cent which the state receives as soon as oil starts to flow. Under the old law the state received 55 per cent of production as soon as oil production began.

Other important features of the new legislation are: ● The base royalty will be 20 per cent if the specific gravity of the crude—based on American Petroleum Institute (API) standards—is equal to 30 degrees. The royalty will be adjusted upward or downward by one percentage point for each API degree over or under 30.

● The Government's minimum percentage of shared output will be 30 per cent and will rise according to the level of production.

● U.S. companies are not expected to suffer double taxation problems under the new law, although a ruling is still pending on this matter from the U.S. Internal Revenue Service.

● Contract terms for an exploration block are for up to 25 years. Contracts will cost a basic \$100,000, with a small additional charge for each hectare in the exploration area.

● The contractor is obliged to drill at least one well during the first three years and during the fourth to sixth year to drill at least two more wells.

● When a company makes a commercial discovery, it will have to drill at least one development well a year in the exploitation area until development is completed or the area is surrendered.

● Freedom from exchange controls. Equipment can be imported free of taxes providing it stays in Guatemala for five years.

● The Government has decided against setting up its own oil company. But state supervision and bureaucracy have been increased through the creation of a Directorate of Hydrocarbons and a National Petroleum Commission, in addition to the newly created Ministry for Energy and Mines. The commission will have the right to intervene in a private firm's oil operations and mete out financial penalties without the opportunity of legal redress.

Lt-Col Contreras says the Government will start to offer contract areas next year. Each block will be 50,000 hectares and no company will be able to hold more than 300,000 hectares. Whether there is a decent response to the new law may depend on whether Elf stays or leaves.

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## THE ARTS

Television/Chris Dunkley

## When drama becomes fiction

Tom Fleming's performance during the past two nights in the title role of BBC's two-part drama *Reith* was remarkably powerful. He looked the part, of course, but it takes more than that to carry conviction. Fleming quickly had me believing that I really was watching the Scottish puritan, the bullying martinet who, between 1922 and 1938 was the first director-general of the BBC. Fleming was helped by an equally fine if less-demanding performance from Dinah Stabb as the ill-treated Marie Reith, and by the BBC's ability to use the actual locations around Broadcasting House which Reith knew.

Yet while the sense of verisimilitude was often strong, there were major drawbacks, especially the confusing use of repeated flashbacks to Reith's time in the Flanders trenches. Were we supposed to discern causal connections with later activities? Merely parallels? Some other significance altogether? Also the play failed to show how Reith affected BBC programmes as distinct from the BBC's constitution.

It is not any of that which concerns me most, however, but the work's significance as "drama documentary." Consider: in May 1928 Reith landed the BBC in an anomalous position from which it has never properly extricated itself. When the General Strike occurred there were three honest causes open to him.

First he could have declared that the young medium would side with law and order, support the status quo, and offer its help to the Government. Second he could have declared (though it would have meant dismissal and a government blacklist) that the BBC would support the trade unions in their moderate demands. Third he could have taken his courage and his microphone in both hands and told the world that the BBC was determined to remain independent of all factions and would strive with all its might to remain even-handed in this, as in all things, and he could have challenged the Government to commandeer the wireless network if they objected to such independence.

But he did none of these things—or rather he attempted a dangerous and dishonest compromise between two of them. Publicly he maintained that the BBC would remain independent, but privately he prevaricated,



Martin Sheen and Blair Brown as John and Jackie Kennedy

low-towing not merely to the Government but to the right-wing of the Government. The result was a mis-match between public image and actual fact: the anomaly from which the BBC has never escaped.

Here are six interesting facts about the affair: On May 7 1928, the Archbishop of Canterbury appealed for a compromise settlement rather than the unconditional surrender demanded of the strikers by Conservatives such as Churchill, Birkenhead and Chamberlain. The BBC supported this appeal, only mentioning it eventually as one item in a news bulletin, because Reith believed that if they broadcast it the Churchill faction might use it as the excuse to take control of the BBC. Some historians believe that broadcasting the appeal could have led to an early settlement.

2. On May 8 Stanley Baldwin, the Prime Minister, was not only enabled to broadcast to the nation by the BBC, he was taken to Reith's own home to do so and Reith helped write the speech. On May 11, Labour leader Ramsay MacDonald asked to broadcast and although Reith felt the speech ought to be permitted he agreed to an informal agreement that the BBC would remain independent of all factions and would strive with all its might to remain even-handed in this, as in all things, and he could have challenged the Government to commandeer the wireless network if they objected to such independence.

3. But he did none of these things—or rather he attempted a dangerous and dishonest compromise between two of them. Publicly he maintained that the BBC would remain independent, but privately he prevaricated,

Government in the crisis too." (In other words, "we supported the status quo not merely for fear of being commandeered but because we chose to.")

5. In his diary Reith wrote of the Government: "They want to be able to say that they did not commandeer us but they know that they can trust us not to be really impartial."

6. Reith accepted a knighthood in the honours list of January 1927.

The picture emerging from these events seems to be a fascinating, dramatic, and although not simple still quite clear. It is nothing like the picture that emerged, however, from Reith which ignored points 1, 3, 4 and 5, leaving the uninitiated with the impression that Reith fought the good fight for BBC independence and won.

But is the BBC to be denounced for broadcasting a play which conveys that version of events commonly accepted within its own portals? I think not. Although the whole truth (or a more nearly whole version of it) is considerably more interesting in this instance than the impression given in this play, my feeling is that the BBC folk-hero version of its first director-general is just as important to today's audience and to posterity as the historical version.

Shakespeare's version of history is almost certainly more significant to mankind than that of his main source, Holinshed, who was himself retelling part of the story, part myth, part Tudor propaganda. In a free society there are other sources besides

drama (the numbered points in this very column offer an alternative to the Milner/BBC version of events) and no dramatist should be limited to the consensus view.

Since this column has always aimed for a broad appreciation of broadcasting rather than simply a review of current programmes I have dwelt at some length on this affair because I believe it is crucial to an understanding of the development of British broadcasting as a whole. But of course most drama-documentaries are not about broadcasting, and generally speaking it is surely less important to ask "Is this good history?" than to ask "Is this good television?"

In the case of Reith the answer would have to be "No, not very good television." But in the case of Kennedy the answer is "Yes, some of the very best." Kennedy is a three-part series made by Britain's Central Television for ITV and—most unusually—sold for network transmission in the U.S. It will be shown here in three big chunks on successive evenings.

Produced by Andrew Brown who was responsible for *Jennie*, *Rock Follies*, and *Edward and Mrs Simpson*, the series covers just three years starting on the night before Kennedy's election in 1960 and finishing with that unforgettable day in Dallas in 1963. Whether the account of history provided by script writer Reg Gadeney is "true" I cannot be sure. What I can say is that between them the three leading actors—

Martin Sheen as JFK, John Shee as brother Bobby, and Blair Brown (an uncanny look-alike) as Jackie—recapture the atmosphere and idealism of the Kennedy Camelot years with a power and vividness which makes the series extraordinarily moving. It is moving not because the Kennedy story is so often like an outrageous soap opera but despite it.

Some may claim the series offers a rose-tinted view, yet it makes no bones about Kennedy's nepotism and manages to convey a clear idea of the stories about JFK's womanising without ever showing him at it, that entire theme is covered by a lurid and chilling sub plot featuring the obsessive J. Edgar Hoover.

It is almost meaningless to ask whether Kennedy is an accurate portrayal. Much of the detail is utterly authentic: the newsreels of the beaten Nixon are the real thing and the exactly similar looking black and white newsreels of the triumphant Kennedy contain JFK's own words delivered by Sheen. No doubt the White House interiors are accurate and the clothes, hairstyles and cars certainly looked right to me.

But like any creative work Kennedy is selective. Even though it lasts seven hours it must of course leave out almost everything that happened in those years. The important question is not whether the portrait is photograph-like in its precision but whether, like a portrait in oils, it combines all the most important points to achieve that mysterious synthesis which can never be attained via the literal representation of a camera. For me Kennedy achieves just such a synthesis.

From JFK's own "Ask not what your country can do for you" to Martin Luther King's "I have a dream" it hits every high spot. You do not get complete history book versions of the Bay of Pigs, the moon programme, the Freedom Riders, the Cuban missile crisis, or the start of the Vietnam war but they are all represented in a pretty fair ratio.

I suspect a lot of middle aged liberals and middle class radicals will be reduced to tears by this series, not because Sheen and Shee are the spitting image of the Kennedys (they are not) but because the Kennedy team together deliver such a poignant reminder of what the world lost on November 22, 1963.

Dancin'/Drury Lane

Michael Coveney

"No orphanages, no Christmas trees, no messages" we are promised in a slyly spoken prologue to Bob Fosse's plotless contribution to "the dance explosion." Premiered on Broadway in 1978, *Dancin'* was both the ultimate distillation of Fosse's other big shows of that decade, *Pippin* and *Chicago*, and, even more probably, his answer to *A Chorus Line*.

Fosse takes the theatre as his world, organising the stage and house lights at the beginning and end in a booming voice-over. In between, his company are let loose in an unrelated series of bits and pieces that are of violently varying quality. It is all like a sensuous guided tour of the human anatomy in perpetual motion but, whereas in *A Chorus Line* you got to know the dancers, here you are kept at arm's length, toe's and, for that matter, buttocks, length.

It is difficult to see from *Dancin'* why, even on Broadway, Fosse has been acclaimed as a choreographic genius. I admire the way he lures jazz dance, tap, swivel-hipped sideways-on riffs, touting with high kicks and beautifully angled and executed classically-based assaults on the stage, corporate effect dissolving in minutely observed kaleidoscopic patterns.

He is an innovator to the extent that he dislocates the element of dance in the musical theatre from its usual accompaniment of song and narrative. But I would not swap the last hour of *Fred Astaire* and *Cyd Charisse* in *Silk Stockings* for his entire output.

The careless, carefree approach yields in the first of three sections a truly awful version of "Mr Bojangles," which belongs anyway to Sammy

Davis Jr, splitting the dance and song to disastrous effect. We then sink into what sounds suspiciously like a Festival Hall teach-in on the dancer's technique in which we are told that while a dancer may lust for the fute, he has the hots for the percussion.

Then it is on with the pom-poms and off on the tom-toms, as the cast reassembles in one of those curiously dated cabaret-style Fosse scenes of gyrating pelvises dressed up in black slashed body stockings. The vision splinters and then re-forms in one of the evening's technical highlights, Raymond Charles Harris high-stepping his way, minstrel fashion, through Leibler and Stoller's "I've Got Them Feeling Too Good Today Blues."

The score is, in fact, a mixed bag, not all of it mine, but at least there is a really splendid band, under the direction of David Firman, who go on the rampage about every 10 seconds. Act Three opens with a famous Benny Goodman number, "Sing, Sing, Sing," in which Stan Bourke offers a passable imitation of Gene Krupa on drums. By now we are in the lull flood of the jazz age, with loose-jacketed gents scratching their way up the ladies' thighs from a semi-recumbent posture, egged on by the delicately whining clarinet of Peter Ripper (sic).

It seemed unfortunate that on the day we took custody of President Reagan's cruise missiles at Greenham Common the show should end in a flurry of snazzy Americans. Yankee Doodle Dandy rallying round the red white and blue just as the classical dance sequences come into their own.

The acrobatic curtain calls, however, were sensational. For all its incidental fun, *Dancin'* is the show where the American musical hits, in every sense of the phrase, rock bottom. That's the message.

The final point which I have delayed making is that this London company is by no means the tops. A lot of the ensemble work is badly synchronised. The American bootlegs are culled from various touring versions of the show, and I sat through the evening with the distinct impression that rather more of the old Fosse iron fist was desperately in order.



Joanie O'Neill

The Medieval Players/Cheltenham

B. A. Young

The tour of the Medieval Players brought two short plays to the Shaftesbury Hall, Cheltenham. An anonymous French comedy, *Master Peter Pathelin*, dating from roughly 1465 and translated by Edwin Morgan, was followed by Chaucer's *The Reeve's Tale* played in Middle English with help from Prof Costello.

*Master Peter*, now in rough English verse, is a simple tale of roguery: Peter swindles a tailor out of a roll of cloth, and is then swindled by a shepherd whom he is training in trickery. The language is full of French oaths about sex and more familiar coarseness than sounds perfectly proper in the context. The now immortal line "Reverens a nos montons" is

properly spoken in French. The Chaucer is done quite differently. A narrator speaks the verse in its 14th century sound while the bawdy tale of the students and the cheating millers' wife and daughter is shown with expertly handled glove-puppets. Both plays are immensely enjoyable, presented with a natural humour that is transferred magically to the audience. This must have been the kind of effect the Court Jester had on the Court.

But acting is not the only talent the company displays. They dance on stilts; they sing French 15th century songs; they play dances on rebeck and lute; and they juggle. How they juggle! You don't know the limits of danger in the theatre

until you have sat six feet from a stage where three men are handling three flaming torches each, dropping them now and then to keep us on our toes.

All these wonders are performed by the same four young men, Mark Heap, Carl Heap, Roy Weskin and Mark Saban with the music played by Tom Finucane and Giles Lewin. The Cheltenham audience, mostly young, simply loved it, even the Middle English. I can't think of anything more likely to please the whole range of generations than this.

In the near future they will be at the Midlands Arts Centre in Birmingham, the Hope Arts Centre in Bristol, in Norwich, and Wells-on-the-Sea.

Otello/Covent Garden

David Murray

This 9th revival of the Royal Opera's 1955 production is unprecedentedly expensive, for lovers of *Otello*. What does it comprise? Well, three distinguished leading singers and an experienced conductor; a sound supporting cast and a patchy chorus; ancient sets very flatly lit (no credit for lighting is assigned to anybody and none is deserved); a competent, quite faceless production attributed now to Jeremy Suddiffe; two and a half hours of music stretched to breaking point by an hour and a quarter of intervals. The whole is exactly the sum of its parts—no more, no less. Though there are admirable details in some individual performances, it was deeply unexciting on Monday night.

As the current run proceeds, more sparks may be struck, but no confident prediction is possible. Apart from John Gibbs' efficient Montano, the only newcomer to the production is the Desdemona of Keti Ricciarelli, who does not seem likely to generate surprises. Hers is a

disguised, smooth, temperate performance—a handsome support who is past the stage of impressionable youth. The voice is carefully paced (the old reckless Ricciarelli generosity is just a memory now), allowed to blossom only at the statutory climaxes, when it makes a lovely, well-schooled sound. She glides through the role as if on well-oiled wheels.

Plácido Domingo's *Otello* is not calculated to disturb her equilibrium, not as he appears here. A dramatic giant like Jon Vickers has been able to stride into this tame staging and electrify it. Domingo's *Otello* is a lovely, well-schooled sound. He cuts a slighter figure; impeccably gentle with discreet hints of inner distress; his singing, immensely refined, begins to acquire the ring of tragedy only in the penultimate act, a model of muted tact. In another setting he might tower superbly.

Closer rapport with his Iago, Piero Cappuccelli, would help, and that may of course develop as the Capuccelli's sinister presence

is routinely conceived—chiefly a matter of feral smiles suddenly suppressed—his musical contribution is fully and rather subtly studied, and the voice is in the communicative form. As so often in Italian revivals at the Royal Opera, there is a strong impression of principal performances imported ready-made, sealed off from each other, meeting only on formal nodding terms: on dramatic tension doesn't get created that way.

Colin Davis brings a practised hand to the score. There were many well-realised passages, but—until the later acts—not much more dramatic preparation; events crowded in upon one another quite brusquely, suggesting mild impatience rather than headlong excitement. The Great Act 3 ensemble stood out for its whole-hearted commitment (and the chorus made a creditable noise at last). Gwynne Howell's staunch Lodovico and the Emilia, Cassio and Rodrigo of Elizabeth Bainbridge, Robin Leggate and John Dobson all did their best to convey some sense of theatrical purpose.



Plácido Domingo

Crosse's WaveSongs/Wigmore Hall

Andrew Clements

The highlight of the polished and percussive music of the Wigmore Hall on Monday night by Alexander Baillie and Kathryn Sturrock was the first London performance of a new work for cello and piano written for the duo by Gordon Crosse. Crosse's title, *WaveSongs*, conjures up immediate visions of seascapes and other aquatic images; the composer does not reject them out of hand, but offers as well a more generalised musical conception of waves as oscillations, ostinatos of varying length that may be interpreted and superimposed to build a large-scale structure.

In this case the structure is substantial; some 23 minutes of music. It is impressively sustained, bappy to bide its time and allow the gradual accretion of material to do its work. There are five minutes of grumbling bass chords in the piano and isolated cello notes

before the music lumbers into motion, each change of pattern bringing a lightning of the mood and an increase of tempo and tension. Patterns are overlaid to move at different rates; sudden changes of correspondence between layers of imitation; between the two instruments, bringing sharp changes of perspective.

The climax, when it arrives, brings about a crystallisation. The cello essays a lullily fledged tonal melody (Crosse relates all the material of the work back to a sea shanty written as incidental music to a production of *Philoctetes*), the piano initiates a scherzando mood which at last brings both instruments into "old-fashioned" partnership. Another climax, fiercer and more insistent, and the music sinks back to the primordial state from which it set out. Crosse controls these processes with great economy of means and impeccable timing. It

seems, on a single hearing, to be a major contribution to the contemporary cello repertoire. Mr Baillie and Miss Sturrock played it with the assurance that suggested that it has already won a permanent place in theirs.

Contemporary Art Fair at Barbican

New dates have been announced for Britain's first International Contemporary Art Fair. ICAFA 84 will now be held from January 20-23, 1984 at the Barbican Arts Centre, London.

It will be launched with a gala charity preview on January 19. Proceeds from the event will be divided between Action Research for the Crippled Child and the Contemporary Arts Society.

## Arts Guide

Musical/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 11-17

## Theatre

## LONDON

**The Tempest** (Barbican): Derek Jacobi, takes a short respite from his recent triumph as Cyrano to add last night's *Straw Hat* to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. An entertaining production. (828 8788)

**The Real Thing** (Strand): Susan Penhaligon and Paul Shelley now take the lead in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (336 2680/4143)

**Day After Tomorrow** (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym sticks, hockey sticks, a cliff-top rescue, a moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1582)

**Notes Off** (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blake-more's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (336 8888)

**Glasgow Glen Rose** (Cottesloe): One of America's best playwrights, David Mamet, has a startling world

premiere at the National Theatre in this superb Bill Bryden production of life among real estate salesmen. The language is rich and rollicking, the dramatic sleazebag with many a glancing reference to post-Nixon break-in paranoia. (922 2232)

**The Cherry Orchard** (Haymarket): Scenically lush but very well acted production by Lindsay Anderson of Chekhov's masterpiece. Joan Plowright is an edgy, skittish Raneyskaya and Leslie Phillips, an accomplished light comedian, a revelation as her putative brother. Wonderful music from Frank Finlay, Bill Fraser, Frank Gifford and Joanna David. (330 9632)

**May Fever** (Queen's): Penelope Keith continues her reign as the iron maiden of British showbusiness. Well-dressed and natural-wisdom, she plays Judith Bliss in Coward's great comedy, presiding over characters and confusion in a Thames-side country house. (734 1156)

**Little Shop of Horrors** (Comedy): Tasty, camp musical based on a 1960 Roger Corman B-movie about a man-eating plant which revives the fortunes of a Slick Row flower shop. The 1950s pastiche is a bit waxy, but the lyrics sharp. The plant grows from cactus-like vulva to pincushion, blues-singing plant, a Broadway performance which is something like Fanny Fielding only blonde and way over the top. (330 2578)

**A Moon for the Misbegotten** (Mermaid): Frances de la Tour and Ian Bannen are quite superb, especially in the last confessional hour of

O'Neill's powerfully banal last play. Last chance to catch one of the year's London highlights. (336 3568)

## NEW YORK

**La Cage aux Folles** (Palace): Perhaps this season's outstanding musical comes, like *Evita* and *Cats* before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale, a La Gaieté Parisienne, but the intimate moments borrowed direct from the film. (737 2626)

**Grand Street** (Majestic): An immediate celebration of the heyday of Broadway in the 30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy hoofing by a large chorus line. (877 9620)

**Torch Song Trilogy** (Helen Hayes): Harvey Fierstein's brilliant and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his dying Jewish mother. (944 9450)

**Dreamgirls** (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a La Supremes, without the quality of their music. (330 6200)

**Brighton Beach Memoirs** (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as

touching childhood reminiscence now that the Nederlander organization generally decided to make the theatre after the generation's outstanding box office draw. (737 8640)

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (238 0200)

## CHICAGO

**E.R. (Forum)**: Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (496 3000)

## WASHINGTON

**Notes Off** (Eisenhower): Dorothy London stars in Michael Fray's comedy about the provincial run of a slapstick farce with lots of antics for a company that includes Brian Murray, Fredrick Whitehead and Victor Garber. Ends Nov 27. (254 3670)

**Beyond Therapy** (Kreger): Christopher Durang's romantic comedy has all the elements of modern singles life including meeting through the personals' column of a newspaper and a scene in a hip restaurant, but it reflects more than explores the shallowness of a pursuit of choices. Arena Stage (468 3300)

## Saleroom

Antony Thomcroft

DESPITE THE uncertainty over the future of Hong Kong, the market for Chinese works of art remains fairly strong. Sotheby's celebrated the tenth anniversary of its auctions in Hong Kong this week with a sale of Chinese ceramics which totalled £1,804,406, with 19 per cent bought in—a not unreasonable percentage in the circumstances.

There was a record auction price for an item of jade. Robert Chong, the Hong Kong dealer, paid £237,070 for a pair of Imperial jade belt hooks. A similar bid from a private buyer acquired a moulded Guananyao bowl of the Southern Song Dynasty. Chong also acquired a rare 15th century stem cup, Chien-sung, for £113,208.

The feature of Sotheby's Amsterdam sales this week was buying by the Getty Museum. It paid £25,217 for *A Bohemian peasant seated on the ground* by Roelant Savery and £11,800 for a similar drawing by the same artist. The sense of taste by Hendrick Goltzius went for £19,670.

Christie's began its week of sales in Geneva with sessions devoted to art nouveau and art deco and totalling £347,827. Book bindings from two collections assembled in Switzerland over the last 20 years proved especially popular, contributing nearly half the sale total. Most of the lots were bought by the New York dealer, John Fleming.

Mr Fleming bought the three most expensive items, including a record £9,940 for one of 30 copies of *Madame's Histoire de la Princesse Estérel*, which was illustrated by Schiend, with a cover illustration by Jean Dunand and printed in Paris in 1926.

Among items by Gallé, an engraved vase made in Nancy in 1891 realised £11,809, with another going to the same Swiss purchaser for £10,312. A German silver and ivory six-piece tea service by Emmy Roth sold for £7,360 and, at a wine sale, eight bottles of Chateau Lafite 1933 fetched £781.

In London yesterday, Christie's held its first major auction of the season of English drawings and watercolours. The total was £506,255, with a group of four views by Turner making £178,200. In the view of *The valley of Walsbrook* sold for £31,800 to Agnew while Martyn Gregory paid £45,360 for *Winchelsea from the Rye Road*. A small watercolour of Lake Nemi went to Colnaghi for £32,400.

Christie's in Geneva's week of sales continued with porcelain making £1,901,576. A Meissen Chinoiserie tankard, Dresden, 1735, went for £13,408.

The highest price in a Phillips jewels sale, also at Geneva, was the £20,312 paid for a diamond ring. Coloured stones were in most demand.

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## Crisis in Cyprus

## Denktash cuts loose

By Andriana Ierodiaconou in Athens

THE DECISION by the Turkish Cypriot leader, Mr. Rauf Denktash, to go ahead with a unilateral declaration of independence (UDI) in Turkish-occupied Northern Cyprus is the most serious crisis in the affairs of the island since 1974.

That was when a coup, organised by the Greek military junta of the day against the Makarios government, prompted Ankara to invade and occupy about 30 per cent of Cypriot territory.

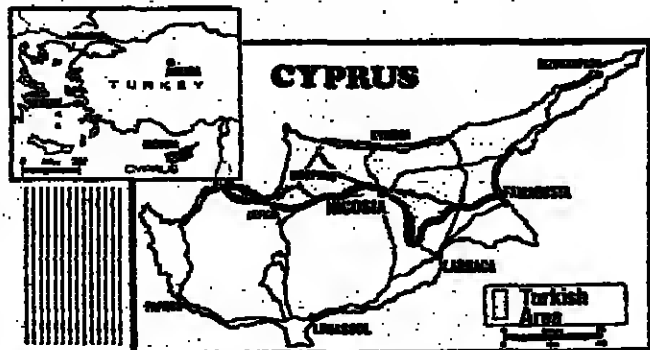
The 1974 crisis brought Greece and Turkey—Nato allies, but centuries-old enemies—to the brink of war. This was averted only by the collapse of the military regime in Athens. Both countries have political stakes in the strategic island: some 80 per cent of its population is Greek Cypriot and 18 per cent Turkish.

Mr Denktash's latest move can once again be expected to cause serious convulsions in Greek-Turkish relations. These could have repercussions on security in the Aegean and on the stability of Nato's vital southern flank. But the extent and gravity of this cannot be judged yet.

The implications overshadow the most immediate effect of the Turkish Cypriot UDI decision—which is to deal a fatal blow to the peace initiative for Cyprus launched last August, with the support of western capitals such as Washington and London, by Sr Javier Perez de Cuellar, the UN Secretary General.

Sr de Cuellar had made proposals for a territorial and constitutional arrangement on the island which he hoped would be acceptable to both the Greek Cypriot and Turkish Cypriot sides. Mr Denktash turned a cold shoulder on these proposals and suggested instead that there should be a summit meeting with the Cypriot President, Mr Spyros Kyprianou. The UN Secretary General was in the process of organising such a meeting this month—possibly for January 1984—but the UDI move has now cut across these efforts.

Why has Mr Denktash declared UDI? A key reason is anxiety to end what he describes as "an economic embargo" which has been maintained through diplomatic pressure from the Cypriot government against the northern part of Cyprus since 1974.



The two protagonists—Mr Spyros Kyprianou (left) the Cypriot President, and Mr Rauf Denktash, the Turkish Cypriot leader.

This has meant that tourists—potentially an important source of income—have come mainly from Turkey. It has also meant that northern Cyprus is not directly served by international air links and that the port of Famagusta has been blocked by many international shipping lines.

Any UN activity apart, the initiative would now seem to lie with Athens and Ankara. On one side of the Aegean there is the Greek socialist government of Dr Andreas Papandreu. This has adopted a toughly nationalist line towards Turkey, declared Cyprus a foreign policy priority, and increased economic and military aid to the island. The UDI move is the most serious foreign policy crisis yet faced by the socialists.

Dr Papandreu, who is given to referring to Cyprus as part of Greek "national space," made an emotional visit to the island to pledge his support. A few months after taking office, he will now feel under considerable pressure to react

decisively to what is seen in Athens to be nose-thumbing by Mr Denktash.

On the other side of the Aegean, in Ankara, the UDI move coincides with a delicate transfer of power from the military regime of General Kenan Evren to the civilian government of Mr Turgut Ozal and his "Turkish Motherland Party," following the early November election. Mr Ozal's government is not due to take over power until the beginning of December.

The hiatus might explain Mr Denktash's timing. The declaration of the "Turkish Republic of Northern Cyprus" was not in itself surprising. Mr Denktash has been threatening UDI for some years now, and he has been doing so even more vocally since May, after pulling out of the UN-sponsored international talks in Nicosia in protest over a Greek Cypriot recourse to the UN.

But yesterday's move nevertheless caught Athens and Nicosia, as well as western capitals, by surprise.

Turkey was believed to be under some pressure from Nato Turkey, such as Britain and the United States, to curb Mr Denktash and prevent a further deterioration in Greek-Turkish relations.

Ankara itself is believed to have felt that a UDI move would create diplomatic problems for General Evren's regime in places such as the Council of Europe, the EEC, the United Nations and Nato.

By making his move this week, Mr Denktash may have hoped to circumvent this problem. This way he avoids directly bargaining with the responsibility for UDI either the Turkish Generals, with whom he has never been very popular, or Mr Ozal, with whom he is also not particularly popular. However, Mr Ozal was reported this week as saying that if the Turkish Cypriots declared UDI "we will support them."

Initial reaction among Greece's Nato and EEC partners has been to condemn the UDI move. Britain, a guarantor of the 1960 Cyprus independence agreement, which ended colonial rule and the division of the island, has been particularly strong in its condemnation. Under the London and Zurich agreements, Britain, Turkey and Greece became co-guarantors of the independence and constitutional status quo of the new Cyprus republic.

More diplomatic pressure will be brought to bear on Turkey after a meeting of the UN Security Council which is being sought by the Cypriot government.

All this is unlikely to reverse Mr Denktash's decision.

Whether Mr Denktash will succeed with his aim will depend on how much diplomatic recognition he can get for his newly declared state. He will be expected to seek support among the Islamic countries such as Pakistan and the Arab countries of the Middle East, which in the past have shown themselves sympathetic, for reasons of religious solidarity, to the Turkish cause in Cyprus.

But he can count on an active diplomatic war with both Nicosia and Athens. Whether hostilities go further than that may well depend on the diplomatic efforts of NATO and EEC countries—particularly Britain, which has a special responsibility for Cyprus—and the circumstances of both Athens and Ankara.

## London's Stock Exchange

## A new trading structure for a new era

By David LeRoy-Lewis



the compensation fund, which presently provides investors with financial protection from losses arising from the default of a Stock Exchange member.

"The Register of Market Makers" Those admitted would have representation on the Stock Exchange floor and would deal directly only with other market makers and with those on the Register of Stock Exchange Member Firms (Agents). The Stock Exchange would have the right to monitor the transactions of market makers so as to ensure that they were not using the market-making function solely for taking the occasional speculative trading position.

All market makers would have the obligation immediately to enter the details of each transaction on the Stock Exchange tape, thus providing appropriate safeguards for market users.

"Register of Stock Exchange New Issuers" In order to ensure that new capital would continue to be raised efficiently in the market and under the control of the Stock Exchange, a register of Stock Exchange new issuers would be established.

All members of the Stock Exchange would be entitled to apply for admission to any or all of the three Registers. Only they would be able to conduct agency business on behalf of clients under the rules of the Stock Exchange. All contract notes would indicate whether the trade was executed by the Stock Exchange member

as an agent or as a principal, whether it was covered by the compensation fund and the time that the transaction was effected.

Non Stock Exchange members, belonging to constituent organisations of the Council of the Securities Industry, would be entitled to apply to the Stock Exchange for admission to the "register of market makers." This register would also include those Stock Exchange member firms who had so elected. Market makers who are not members of the Stock Exchange, would be required voluntarily to agree to comply with the appropriate rules and regulations and to accept the disciplinary procedures of the Stock Exchange.

Stock Exchange business would be transacted by stock exchange members, and authorised clerks, in the employment of the non-member market maker concerned. Non-member market makers would have to undertake to the Stock Exchange to transact all their business in the market unless specifically exempted. They would be entitled, as are members of the Stock Exchange, to transact their own investment business in this way without employing a member firm.

A stamp duty concession, similar to that presently available to jobbers, would be extended statutorily to all on the register of market makers. They would contribute to the compensation fund. The requirement to settle market trans-

actions through Talisman, the Stock Exchange's computerised settlement system, would be extended to non-member market makers.

Admission of non members to the register of Stock Exchange new issuers would be confined to members of the Issuing Houses Association. Those admitted would have direct access to the Stock Exchange's quotations committee and, if they were on the register of market makers, to the market as well. They would be expected voluntarily to agree to comply with the appropriate rules and regulations and to accept the disciplinary procedures of the Stock Exchange.

Such a system would enable:

- The Stock Exchange to continue to maintain the proper regulation of the market.
- The Bank of England to continue to conduct its open market operations through the Government broker.
- The Stock Exchange to continue the permitted interest being taken in member firms by outside investors, possibly with restrictions on non-member market makers who might wish to have interests in member firms on the register of stock exchange member firms (agents).

Such a market structure would preserve the concept of the central market. By providing more participants and attractive terms for their participation, it should preserve the market's liquidity and continuity, with dealing prices still being determined competitively. The market would continue to be regulated and supervised by the Stock Exchange. There would be no dilution of membership so that the characteristics and independence of the Stock Exchange and its Council, reinforced by a number of lay members, would be retained.

Investors would be protected in two ways. First, the compensation fund would cover transactions executed on an agency basis by those members on the register of Stock Exchange member firms (agents). Secondly, since a number of member market makers might be dealing in dual capacity, there would be a Stock Exchange tape, against which execution prices could be checked.

Finally, the suggested structure would, in part, retain a separation of capacity between market makers and agents. This is the principle which has, for the past 70 years, retained the confidence both of market users and the Stock Exchange.

The author was chairman of *Alroy & Smithers* from 1976 to 1981 and a deputy chairman of the Stock Exchange from 1972-76. He is now deputy chairman of *Touche Berran*, and chairman of both *Henry Ansbacher Holdings* and *R. B. Martin*. He is a member of the City Capital Markets Committee, a Committee obtainable from City Capital Markets Committee, c/o Bank of England, Threadneedle Street, London EC2R 8AH.

## Letters to the Editor

## Capriciousness and the price of electricity

From Mr M. Skillcorn

Sir,—We hear that the Chancellor of the Exchequer will announce measures tomorrow to reduce the effect of which will be to cause electricity prices to rise. The electricity supply industry pursues an objective return on its assets in compliance with the nationalisation Acts. It is also required to meet annual external financing limits which nowadays lead to cash payments to the Treasury after funding capital requirements.

As a result of cost reduction, a lower rate of inflation than predicted and a keenly negotiated coal supply agreement,

the electricity industry should perform better than its budget in 1983-84 and could meet the financial criteria for 1984-85 without price increases. Electricity management can believe that it is playing its part in restoring the international competitiveness of British industry and in eliminating inflation.

These benefits are lost if, at a stroke, the Star Chamber changes the financial objectives of the industry. Government has a duty to levy taxes, but it should do so properly. The electricity industry is not a source of profit; it is a public utility which it now seeks to collect from electricity consumers equally be raised by applying

the standard rate of VAT. The burden would fall on current consumers, for whom electricity prices are lower than in other countries, and not serve to make British exports less competitive and imports relatively cheaper.

Many people doubt the feasibility of privatising the electricity industry. It is now clear, however, that the industry and its customers need protection from the acts of capricious governments.

M. D. Skillcorn,  
King's Field House,  
Elmhurst,  
Lichfield, Staffs.

## Non-use of nuclear weapons

From Mr J. Spicer, MP

Sir,—Once again, the issue of "first use" and "no first use" is being clouded, this time by Mr Denis Davies (November 10). Cruise and Pershing II are not designed, as he says, for fighting a war, limited or not, but for preventing war. This is what the policy of deterrence is all about and which has been successful.

It is even Mr Davies' argument on his own terms, NATO's policy is not one of first use; it has merely refused to surrender that option if it is being overwhelmed in a conventional attack. That, again, as he should recognise, is part of the deterrence strategy.

The Soviet declaration of "no first use" is too often bandied around as a cast iron intent: the nature of the Soviet system gives few grounds for believing that a mere declaration would be treated as sacrosanct if advantage would accrue from ignoring it. In fact, as Mr Davies himself says, NATO's policy is one of "no first use" not only of nuclear but also of conventional weapons, except in response to attack. That is a far broader commitment than the Soviet declaration. Any change in that policy could only be a retrograde one.

Jim Spicer,  
House of Commons, SW1

## Clamp on unlicensed vehicles

From Mr L. Robinson

Sir,—Mr Gordon Downey, the Comptroller and Auditor-General, estimates that £170m was lost in the last financial year through evasion of vehicle excise duty. If the average duty is £85 a simple calculation shows there were 2m unlicensed vehicles on the road.

Mr Downey's report mentions the problems of overcoming this evasion of vehicle excise duty. With the arrival of the Denver boot, now being enthusiastically clamped on illegally parked vehicles in London, surely the Denver treatment can be used on unlicensed cars too? If, after clamping, the vehicle is freed only on the production of a valid licence, an insurance cover note and a substantial fine the problem of recovering vehicle excise duty should diminish.

Perhaps a fine of £200 can be levied—the same as for an unlicensed TV set. If a quarter of the estimated number of unlicensed were successfully clamped in the first year the potential duty payable would be £424m and the fines £100m. Leslie A. Robinson,  
47 Mount Pleasant Villas, N4.

## America and the Caribbean

From Mr P. Drexler

Sir,—It may interest readers, in light of the criticism of the American intervention in Grenada, to recall that British troops in Anguilla in 1969. Richard Crossman reports in his diaries that the British intervention was undertaken in the belief that American criminal elements were attempting to take advantage of unrest to turn the island into a "gambling hell." But this information proved spurious; only one rifle could be found in Anguilla. The trouble was merely related to a desire for greater independence from St Kitts. Britain acted in good faith, and because it was responsible for the external affairs of the island, its actions were entirely legal. But the whole affair was nevertheless a "fiasco" because, unlike the Falklands, no clear national interest was at stake, and no broader international purpose was served.

The intervention in Grenada (which uncovered substantially more than one rifle) received broad support in the United States because it did serve an important national as well as international purpose. The national interest was the safety of several hundred American residents; the international interest was to prevent the establishment of a Cuban military base. We are prepared to tolerate unfriendly governments in this hemisphere, but I do not see why we should tolerate the expansion of potentially hostile Cuban military installations.

We have undertaken grave and burdensome responsibilities for the defence of Europe, the Middle East, and the Far East. Is it really fair for Europeans to suggest that we should neglect our interests in our own backyard? We welcome advice (particularly from Britain), nor

would we deny that we can benefit from criticism. But I hope I am not overly cynical in stating that European governments will have to bite the same bullet to achieve adequate levels of profit, only two out of eight major European car manufacturers were profitable last year. Unlike Mr Manly, I believe that the painful and comprehensive restructuring of the industry in this country has given the UK motor industry a firm basis for the future. Productivity, efficiency and all-round competitiveness is rising rapidly to the best European standards, but no-one can be complacent, given that Japanese manufacturers still remain some way ahead of us.

Ray Horrocks,  
35-35 Portman Square, W1

## Estate agents' commission

From Mr P. Gerdes

Sir,—I have read with interest the correspondence dealing with the question of when an estate agent earns his commission.

During my days in estate agency the question of the fee being earned was amplified by confirming instructions with the following words—"X per cent commission to be paid by the vendor if 'my firm introduces a purchaser who proceeds to completion'."

I used to look on exchange of contracts as the final hurdle and the period up to completion simply as the run-in. In other words when contracts were exchanged I had effectively earned my commission. The number of cases that faltered between exchange and completion were negligible and discounted accordingly.

Peter J. Gerdes,  
"Inglewood",  
Shelling Road,  
Crosborough, East Sussex.

## The European motor industry

From the Group Chief Executive—Cars, B.L.

Sir,—Mr W. Manly (November 10) takes me to task for my view, expressed to the Motor Agents' Association, about the serious over-capacity which currently exists in the European motor industry.

I did not suggest that this surplus capacity—estimated at some 3m units a year—should be reduced to help the UK motor industry. We have already taken action and, indeed, are now seeing the benefits of bringing capacity into line with demand



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# FINANCIAL TIMES

Wednesday November 16 1983



## Pretoria minister quits over claims of secret deal

By Bernard Simon in Johannesburg

THE SOUTH AFRICAN Minister of Manpower and parliamentary leader in the country's all-white House of Assembly, Mr S. F. "Fanie" Botha, has resigned suddenly in the wake of allegations that he reneged on a secret deal involving diamond mining leases.

The departure of Mr Botha, who is also the most senior member in the Cabinet after the prime minister, is a severe blow to the Government. He is the most widely respected Cabinet minister among the business community as a result of his pragmatic handling of the sensitive labour portfolio.

Mr Botha, aged 61, joined the Cabinet as Minister of Water Affairs in 1966. Since becoming Minister of Manpower seven years ago, he has overseen significant labour reforms, including the loosening of restrictions on black trade unions, abolition of statutory job reservation and a streamlined industrial conciliation machinery.

Advances in the labour field are arguably the only real reforms in Pretoria's race policies in recent years.

In a remarkably cool statement, Mr P. W. Botha, Prime Minister, who is no relation, said last night that "it just so happens that a single unpleasant event casts a shadow over the constructive contribution of a person's life."

Many details of the circumstances surrounding Mr Fanie Botha's resignation remain unclear. A newspaper published allegations last weekend that he failed to provide diamond mining leases to a retired air force brigadier as part of a secret transaction which reportedly benefited South Africa in an unspecified way. The air force officer claimed that he holds promissory notes worth R20,000 (\$17,000) signed by Mr Botha.

Mr Botha said he disputes the allegation and will take "appropriate steps". But he added that he was resigning to avoid embarrassment to the Government.

In contrast to his astute handling of the labour portfolio, Mr Botha has made several political misjudgments. Earlier this year, he angered his Cabinet colleagues by provoking a by-election in his marginal northern Transvaal constituency after challenging the extreme right Conservative Party to an election contest.

During the election campaign, Mr Botha was accused of nepotism in the allocation of government funds for irrigation projects.

## Soviet Union agrees to remain at talks

Continued from Page 1

designed to help the West German Government, which faces crucial parliamentary debate next week on the missile issue.

If, as expected, it wins the debate, the first nine of a planned 108 Pershing 2 missiles will arrive from the U.S. before the end of the month.

Our London staff writes: Eight nuclear warheads for U.S. cruise missiles are believed to have arrived in Britain yesterday. This followed the UK Government's announcement on Monday that the first of the missiles had arrived at the Greenham Common base in Berkshire, southern England.

Hundreds of women maintaining a peace camp around the perimeter of the base yesterday screamed and cried as they saw eight packages believed to contain the warheads, being unloaded.

In the House of Commons last night, there was an angry clash between the Prime Minister, Mrs Margaret Thatcher, and Mr Neil Kinnock, leader of the opposition Labour Party. He called her a "lackey" of the U.S.

## Opec production row delays strategy talks

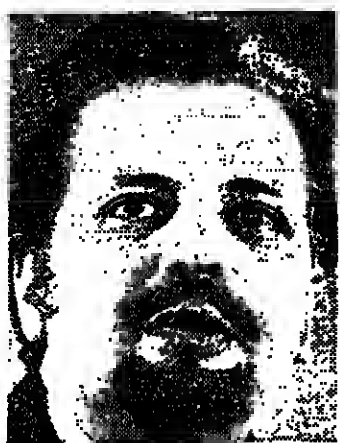
By Richard Johns in London

THE Organisation of Petroleum Exporting Countries (Opec) talks in London on long-term strategy were delayed yesterday by an argument about overproduction by certain members, and the allocation of market shares.

Meaningful discussions eventually began in the evening after the committee, chaired by Sheikh Ahmed Zaki Yamani of Saudi Arabia, made up of representatives of six member countries, agreed to leave aside urgent short-term issues relating to the weakening market and sagging spot prices.

They will be discussed at the full ministerial conference in Geneva next month.

Opec's renewed attempt at a long-term strategy is likely to be a drawn-out affair. The consensus is that there will not be sufficient market stability to produce a coherent



Sheikh Yamani, Opec's chairman, is expected to lead the next year at least.

mandate for Opec's oil, down by nearly a half over the past four years. However, there are differences of approach. Algeria and Iran, both represented on the committee, would like to bring forward the time when increased oil prices will be possible. They want tighter control over output generally, particularly that of Saudi Arabia which was mainly responsible for the breach of Opec's production ceiling of 17.5m barrels a day in the second quarter.

They seek to maximise revenues in the short term, while other members with larger reserves, especially Saudi Arabia, want to ensure dependence on their exports as long as possible, and take a longer-term view.

Also represented on the committee, and believed broadly to support the Saudi position, are Iraq, Kuwait and Venezuela.

## UK firm wins design contract for second Bosphorus bridge

By Peter Bruce in London

A CONTRACT to design a second bridge over the Bosphorus in Turkey has been awarded to a firm of British consulting engineers whose design of the superstructure of a key UK bridge has recently been the focus of heated controversy.

Freeman Fox, who also designed the first bridge over the Bosphorus, succeeded in winning the £3.6m (\$5.3m) Turkish contract in the face of competition from four international competitors.

The new Bosphorus Bridge, 5km north of and marginally shorter than the first, which was completed in 1973, will cost around \$220m.

Freeman Fox has been vigorously defending its design of the 17-year-old Severn Bridge, which links South-West England with South Wales. Initially, one of the five consultants shortlisted by the Turkish authorities was Britain's Mott Hay & Anderson, whose sharply worded reservations about

the safety of the Severn Bridge, which spans the River Severn led to the imposition of strict traffic controls there when they were leaked to the British parliament.

Two U.S. consultants, Ammann and Whitney, and Steinman, Boynton, Gronquist and Birkdahl, and Cowiconsult from Denmark were also on the final shortlist.

Like the first Bosphorus bridge, the new crossing will take three lanes of traffic each way and will probably be built to much the same specifications. That implies that the consultants will largely ignore what several designers in the UK and abroad feel are too stringent British standards (BS) introduced since the Severn Bridge was completed in 1967.

For example, the old BS5153, used in the Severn Bridge, provided for a loading of 800 kg per metre of span. BS 5400 then raised that to 900 kg and last year an interim standard raised it still further, to 1,800.

Although Freeman Fox are likely to introduce some innovations in their design, due to be completed by March 1985, the new bridge will probably make use of the aerodynamically shaped box girders.

These set the Severn Bridge apart from previous suspension designs, which use heavy steel trusses to strengthen them. Freeman Fox have since used the same basic design in the first Bosphorus Bridge, and the newer Humber Bridge in the UK.

Mr Nicholas Ridley, the British Transport Secretary, is expected to take the Severn controversy further this week by outlining future traffic control plans to parliament.

He has also asked Mott Hay & Anderson and Flint and Neill, the consultant who first warned that the Severn Bridge was unsafe, to prepare a combined report on the structure. The Mott Hay report was more critical than the Flint and Neill assessment.

## Rail projects studied for Gulf states and Southern Africa

By our transport correspondent in London

TWO BIG railway construction projects are under consideration in the Middle East and Southern Africa.

The Gulf Cooperation Council has ordered a study on the feasibility of building a railway through its member states - Saudi Arabia, Kuwait, Oman, United Arab Emirates, Bahrain and Qatar - which could be linked with the Iraqi rail network.

Botswana, meanwhile, has commissioned a British consulting firm to assess the implications of building a 875-mile railway across the Kalahari desert to a terminal to be built on the coast of Namibia.

The Gulf study, by the British Rail consultancy Transmark, will assess the feasibility of building rail links:

- South from an extended Iraqi network to Kuwait and Saudi Arabia and
- From the existing Saudi Arabian rail network eastwards through the United Arab Emirates and into Oman.

The Southern African railway, intended in part to carry coal from landlocked Botswana to the Atlantic coast, would be one of the long-

est to be built anywhere in the world since the first world war.

Henderson Travers Morgan, the UK firm, is to study the economic, financial and engineering implications of building the railway in a report to be completed by January 1985.

If the project goes to the construction stage, it would follow two other major rail projects in Africa in recent years - the Tanzam railway built by the Chinese, and the Trans-Gabon railway which is under construction.

## London exchange plans 'real-time' share index

By John Moore in London

THE ruling council of the London Stock Exchange yesterday agreed to go ahead with plans to create a new share index, measuring the minute-by-minute movements of 100 shares on the stock market.

The move is designed to meet the needs of the London International Financial Futures Exchange (Liffe) and the stock exchange's own traded options market.

The London financial futures market intends to introduce a contract whereby investors will be able to hedge, through contracts, against movements in the stock market by taking a view on which way the market is likely to move in the future. Traded options specialists are considering developing a market in

traded options, based on a share index.

At present there is no "real time" index on the London Stock Market such as both the financial futures market and the traded options specialists feel is necessary to the contracts they are designing.

The stock exchange council yesterday studied a paper which had been prepared after consultation with representatives from a number of City of London interests.

Plea for tax changes on Irish stock exchange, Page 3; Milan bourse searches for confidence, Page 21; London and international market reports and prices, Section III

## 'Independence' for Turkish Cypriot state

Continued from Page 1

two sides. The talks have been suspended since April.

Mr Kyprianos told schoolchildren who staged a demonstration in Nicosia yesterday: "We shall never recognise this move by Denktash."

If the Turkish declaration of independence were accepted "a terrible precedent will be created for the whole world."

In Nicosia the Turkish Cypriots' proclamation of an independent state was seen as further proof of the Turks' long-term plan to partition the island and to hold on to the 40 per cent of Cyprus territory seized in the Turkish invasion in 1974 and ultimately annex it to mainland Turkey.

## Toshiba boost for VHS

Continued from Page 1

there was little incentive for the Japanese to transfer production to Europe.

Political pressure has, however, led to several assembly plants being established in Europe, in the UK and West Germany. J2T makes VCRs in Berlin. Matsushita (with Bosch), Sony and Hitachi also make, or plan to make, VCRs in West Germany.

The EEC is expected to seek the exclusion of kits from the quota of Japanese exports, which is due to run for three years.

The move to protect Philips and Grundig's system from Japanese competition appears to have failed anyway. Theoretically, the EEC/Mi-

ti agreement guaranteed the two companies a minimum sale of 1.2m units in Europe. The two companies are thought to have fallen well short of this level.

There is considerable doubt in the industry as to whether Philips will persevere with the V2000 format. On Friday it confirmed that it would start manufacturing the VHS format in Europe for sale in markets where V2000 is not available.

A number of people in the industry believe it is only a matter of time before Philips introduces VHS into Europe which will almost certainly sound the death knell for V2000.

## Exchange markets' instability 'can be smoothed'

By Margaret Hughes in London

GOVERNMENTS can do more to smooth out the volatility of foreign exchange markets in the long term by building their currencies' exchange rates into monetary policy than by direct intervention, Mr Christopher McMahon, Deputy Governor of the Bank of England, told a London conference on foreign exchange risks yesterday.

In the bank's first important pronouncement for some time on the role of exchange rates, Mr McMahon said that the fact that the UK Government took account of sterling in the conduct of its domestic policy might be having a stabilising and benign effect on the market.

Mr McMahon's remarks - in which he pointedly avoided saying exactly how sterling fitted into monetary policy - affirmed the Bank's view that governments can dampen speculation simply by letting it be known that they care about exchange rates. In a pointed reference to the laissez faire foreign-exchange policy of the U.S., he said: "Perhaps if all countries did so, we could begin to edge towards slightly greater stability worldwide." He cautioned, however, that there should be "no illusions" as to how much could be achieved or how quickly.

Mr McMahon argued in the belief that there was little prospect of a return to stable exchange rates. He expected the next 10 years to be as volatile as the last 10, and did not think that governments could do much about it. But, he said: "The proposition that I advance is that official indifference toward exchange rate movements may tend to produce anarchy; and that benign neglect does not have benign results but may result, rather, in disorder."

Mr McMahon told the conference, which was sponsored by the International Herald Tribune, that direct intervention was a "useful policy instrument," particularly when "national authorities are seen to act convincingly in concert." Markets, he claimed, often proved surprisingly receptive to a lead from the authorities. However, such intervention had a limited role and "could not be expected to do more than give a lead when markets have become disorderly or when movements differed greatly from those warranted by fundamental factors."

As a result, monetary and fiscal policy particularly the balance between the two, had to provide "the primary means of responding to the exchange-rate pressure."

Mr McMahon pointed to the relative success of the European Monetary System (EMS) in this context. An important effect of membership had been to make evident to markets that EMS governments attached importance to the exchange rate in the conduct of their national policies.

Membership of the EMS or any similar international co-operation, was not the only means of expressing official concern with the exchange rate. It could be used, as in the case of the UK, Mr McMahon argued, as an indicator of monetary conditions.

In some circumstances, this approach was similar in its effect to operating with an exchange-rate target, but, used as an indicator, movements in the exchange rates did not imply "a mechanical or automatic response."

That, Mr McMahon said, would depend on "our overall interpretation of monetary conditions at the time."

## Record level of Krugerrands sold this year

By our London Staff

PRIVATE investors have been buying Krugerrands at record levels at a time when the price of gold bullion has been depressed.

International Gold Corporation, the marketing arm of the South African Chamber of Mines, says that an increasing number of individuals believe that, at current price levels, gold is an excellent investment in the medium to long term.

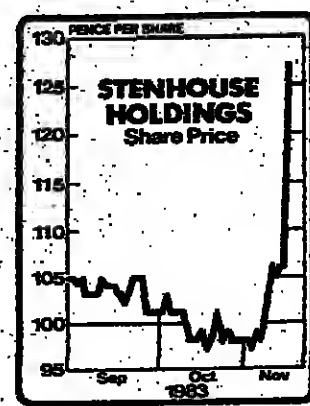
Worldwide sales of uncirculated Krugerrands in the first 10 months of this year exceeded the volume for the whole of 1982. October sales were particularly buoyant, with the 378,693 ounces surpassing September's figure by 38 per cent.

In early October, gold bullion fell below \$400 an ounce for the first time this year. Although it has settled into a steady trading range of \$380 to \$385, it has not shown any sign of recovery despite increasing world tension.

Gold markets report, Page 42; Johannesburg stock market report, Page 53

## THE LEX COLUMN

# Stenhouse bids for Stenhouse



Stenhouse Holdings has long been one of the gaudier shares traded on the London market, standing at a heavy discount to the market value of its principal asset - a 48 per cent stake in the Canadian Reed Stenhouse company - and providing its shareholders with little else except a minority interest in Noble Grossart and a postal address in Glasgow.

In the circumstances it might have been thought that when Reed Stenhouse offered to unscramble the omelette by means of a share and cash bid for Stenhouse Holdings, valuing the latter 33 per cent above its market capitalisation on Monday, at £53.2m, the approach would have been welcomed avidly.

Things have rarely been simple at Stenhouse, however, and Reed's merger proposal has thrown up conflicts of opinion in the Stenhouse board which parallel the cross-holdings between the two companies.

The Canadian directors, who are the only executives on the Holdings board, are naturally in favour; the Stenhouse family representatives who speak for 21 per cent of the shares are opposed, while the non-executives - including the chairman - remain divided.

The trouble is that the deal has necessarily been structured to appeal to the Canadian shareholders of Reed Stenhouse, who stand to receive a 10 per cent increase in earnings per share. But this is achieved by issuing fewer Reed Stenhouse shares to Holdings' shareholders than Holdings has at present, and there is nothing in exchange for the remaining shares. Up 21p yesterday to 127p, the share price seemed to be saying that Holdings, despite the complications, would soon be laid to rest.

## AT & T

In the last month, the share price of AT & T has been displaying an uncharacteristic volatility as investors have tackled the implications of the division of the largest quoted company in the world into eight units.

The uncertainty is likely to increase further today, when the company unleashes its jumbo prospectus on the outlook for the new companies.

Last month Congress threw AT & T's plans for bringing charges into line with costs into the melting pot which means the range of profit

projections in the prospectus is likely to be extremely wide.

If the most deleterious legislation on access charges and long distance fees does emerge from Congress, the combined AT & T could lose revenues of up to \$1bn next year.

The administration seems to be moving in support of the company, nevertheless, the new AT & T is likely to have to go on subsidising the local networks, which would tend to undermine its competitive position in long distance business over the medium term.

The higher risk is already reflected in the share price, down from a peak of \$88 in September to \$62.4 yesterday. In recent days the price has tended to edge up again, partly in anticipation of the share split.

Because of the size of AT & T, arbitrageurs will not have sufficient muscle to close spreads between the old and new shares. So even though there will be no dividend paid on the new shares, due to start trading next week, the sum of the eight constituent new shares is expected to exceed each old share.

For institutional buyers of parts of AT & T the cheapest way into a portfolio of, say, five of the new companies may be to buy the relevant number of old shares and sell stock in the three new unwanted companies.

## Royal Insurance

Neither Hurricane Alicia nor the nasty drought blowing through Royal Insurance's U.S. workers' compensation business struck the market yesterday as an entirely satisfactory explanation of the shortfall in the group's third-quarter profits. They have fallen at the pre-tax level from £30.4m in the same period last year to £13.1m, some £10m-£15m below general ex-

pectations. Other explanations were indeed available, most notably a heavy bill for fire damage in Europe and the UK and less recovery than had been hoped for in various U.S. commercial lines. But the list looked far too long and messy for a composite insurance stock with no bid speculation to support it and the shares fell 28p to 495p.

In the U.S. underwriting losses of \$5.4m at the new Millbank subsidiary and hurricane losses of \$2.6m have both distorted the third quarter's yearly comparison. It remains disappointing, however, that commercial multi-peril and auto should not yet have been strengthened sufficiently to counter another \$11m underwriting loss on workers' compensation, leaving total underwriting losses in the U.S. up \$18.9m to \$66.9m.

Sterling's decline has then translated this into a 66 per cent jump, producing a general insurance loss of £20.9m for the U.S., against a loss of £9.9m. That compares with a £5.7m downturn in the UK for the same three months and £2.6m for Royal International.

Royal is still busily increasing its U.S. commercial rates, as the 131 per cent decline in U.S. commercial premiums in the first nine months suggests. But this looks unlikely soon to compensate for the losses of U.S. policyholders' dividends on workers' compensation, where the operating ratio is up from 93.3 to 105.3 per cent so far this year. Estimates for group pre-tax profits for 1983 are down as a result to the £100m mark.

## Foreign exchange

Mr Kit McMahon's lament yesterday that the foreign exchange markets were intrinsically unstable, put the blame for the volatility of exchange rates largely on the way in which speculative capital flows have come to dominate transactions based on actual trade.

Between the lines, though, it was possible to read a degree of exasperation with current monetary and fiscal policy in the U.S. which have been holding the dollar up in defiance of purchasing power arguments and the U.S. current balance alike. Perhaps, after all, it would not be a good idea for governments to encourage too much stability at present - when the effect would be to preserve a wholesale misalignment of currencies.

# Biotech europe

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## World Weather

Area	C	F	Area	C	F	Area	C	F
Agadez	15	59	Dubrovnik	7	45	Moscow	16	61
Algeria	19	66	Fam	8	46	Munich	23	73
Amman	15	59	Fez	10	50	Nairobi	23	73
Antananarivo	15	59	Fort-Lamy	21	70	Sancti Spiritus	23	73
Asmara	27	81	Gaborone	1	34	Sao Paulo	23	73
Bangkok	32	90	Harare	16	61	Singapore	28	82
Batavia	17	63	Jerusalem	21	70	Sofia	17	63
Bombay	29	84	Khartoum	21	70	Taipei	14	57
Buenos Aires	11	52	Kuala Lumpur	23	73	Tokyo	14	57
Calcutta	32	90	London	10	50	Toronto	4	39
Cairo	22	72	Los Angeles	15	59	Ulaanbaatar	23	73
Canton	22	72	Madrid	15	59	Yokohama	14	57
Cebu	28	82	Moscow	16	61			
Colon	28	82	Nairobi	23	73			
Copenhagen	10	50	Sao Paulo	23	73			
Dakar	28	82	Singapore	28	82			
Dhaka	28	82	Sofia	17	63			
			Taipei	14	57			
			Tokyo	14	57			
			Toronto	4	39			
			Ulaanbaatar	23	73			
			Yokohama	14	57			

Readings at midday yesterday

C-Cloudy D-Dry F-Fair P-Fog N-Night S-Sunny

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## French state agency to offer risk capital funds

BY DAVID MARSH IN PARIS

A NEW French government-backed industrial development group to channel capital to high-flying business could be set up under a planned joint venture between the state-controlled Industrial Development Institute (IDI) and the national financial conglomerate Compagnie Financière de Suez.

Both are seeking new ventures to enlarge their activities and to define more clearly their industrial development roles after the sweeping nationalisation of financial institutions last year.

They are holding talks which could lead to the formation of a subsidiary with a capital of about FF400m (\$49m) to participate in promising industrial concerns.

Officials at both institutions last night stressed that no final decision had been taken, as the definite go-ahead would depend on the Finance and Industry ministries.

IDI, owned 49.9 per cent by the Government and the rest by the banks, was set up in 1970 to take stakes in small and medium sized enterprises and nurse them into profitable development. It has had considerable success in helping to build up several companies now quoted on the bourse.

The institute has, however, been in near limbo since the Socialist Government came to power. Its chairman since 1975, M Dominique



M. Dominique de la Martinière, resigned

de la Martinière, resigned during the summer because of disagreement with the Government over the controversial restructuring of the troubled textile group Bousset, in which it took a major stake at the Government's behest in December 1981.

After a dispute last week over the choice of successor, the new chairman has not yet been named.

The idea behind the joint venture would be to combine the financial knowhow of Suez with IDI's industrial experience to inject capital into companies with turnover of about FF100m.

Suez has been seeking to expand its industrial activities since the appointment of M Jean Peyrle as chairman earlier this year. He is a former key adviser to M Pierre Mauroy and banker at Credit Lyonnais.

The Finance Ministry has been looking for ways of enlarging Suez's industrial muscle since it reduced its financial clout this summer by taking away its majority stake in the Credit Industriel et Commercial banking group.

M Peyrle backs socialist ideas for financial institutions to take larger stakes in industry. IDI's role under the Socialist Government has been clouded, however, by divisions in the ruling party over whether it should be regrouped into a giant state investment bank. This idea is supported by M Jean-Pierre Chevènement, former Industry Minister, and M Jean Deffassieux, present chairman of Credit Lyonnais.

The Government seems to favour a more moderate approach, involving capital ventures backing companies on several fronts at once.

## Italian merchant bank for London

By Our Rome Correspondent

CREDITO ITALIANO, Italy's third largest bank, is planning to launch a merchant banking subsidiary in London, the first held by an Italian parent bank.

Dr Mario Riva, general manager of the bank's international operations, said yesterday that applications had been lodged with the Bank of Italy and the Bank of England. He hoped it would be possible to begin operating the London merchant bank in the next few months.

The state-controlled bank has full bank status for its branch in the City of London, but the separate merchant banking subsidiary would probably first be awarded the status of licensed deposit-taker. It would report directly to Credito Italiano's head office in Milan.

There are no official merchant banks in Italy.

## Milan bourse needs a watchdog with teeth

BY ALAN FRIEDMAN IN ROME

A SELECT band of Italian financiers left the cold winter fog of Milan and flew to London last Thursday to address a group of 150 British stockbrokers and fund managers. The Italians, including Sig Guido Carli, former governor of the Bank of Italy, were in London to promote foreign interest in the Milan stock exchange - La Borsa Milanese.

Unfortunately, the timing of their roadshow could not have been worse. Just as the audience of institutional investors was settling down at the elegant Berkeley hotel, word was flying in the Italian parliament, with charges and counter-charges levelled about Sig Vincenzo Milazzo, the most recent chairman of Consob, Italy's version of the Securities and Exchange Commission.

Sig Milazzo resigned as chairman at the end of last month, after a tenure of only eight months, and only a week later he told a parliamentary investigation that the regulatory watchdog, founded in 1974, effectively did not exist.

As if it was not enough to tell parliament that the Consob had "never been born" Sig Milazzo raised more eyebrows by expressing reservations about the

usefulness of audited company accounts, which are only now beginning to become accepted general practice for major companies in Italy.

The Consob inherited by Sig Milazzo can hardly be considered to have been an effective organisation. Hampered by staff shortages resulting from a lack of sufficient operating funds from parliament, the five-member organisation took precious little action and remained based in Rome - not in Milan, where the main market is.

For five months before Sig Milazzo's appointment last January the chairman's seat had been vacant, a result of the departure of the widely respected Professor Guido Rossi. Prof Rossi resigned after the bank was forced into a public quotation - Banco Ambrosiano - had collapsed following Roberto Calvi's mysterious death.

The Consob has a long way to go if it is to achieve credibility inside Italian financial circles, let alone abroad. In 1978 Prime Minister Giulio Andreotti appointed to the board a man who had the distinction of being a Rome theatrical impresario. For years the tiny Milan bourse

has been a den of insider trading - many of the major players are the companies whose shares are quoted.

There are still only 148 companies quoted, with a market capitalisation of L33,000b (\$20.3bn). This compares with the London Stock Exchange's capitalisation of \$203bn and West Germany's stock market capitalisation of \$77bn. There are in fact, more registered stockbrokers in Milan than companies - some 220 in all.

Turnover this year has averaged around L25bn a day - hardly world-class volume. Despite the booming New York and London markets, Milan has been out of step, managing an overall index rise of only 12 per cent since last January.

Small investors stay away from the market, preferring to put their savings in bank deposits or government treasury certificates. Prof Rossi last week pointed out that a government which must finance a deficit of \$60bn a year must find it hard to countenance the growth of a stockmarket which would compete for the public's savings. Roughly three quarters of Italian savings are

in treasury bills and bank accounts. If all this suggests a rather unsophisticated and incestuous market in Milan, then that is an accurate reflection of the situation. But all is not doom and gloom, market enthusiasts can point to a few promising signs for the future.

First, it now appears that the political will exists in Prime Minister Bettino Craxi's five-party coalition government to massage some life into the Consob. A sensible appointment of a new chairman will provide a major psychological fillip.

Sig Urbano Alletti, a former senator and former chairman of the Milan stockbrokers committee, described the Consob as "an organisation which has never worked properly and is now going to be made to work properly."

Another promising sign is the potential of new unit trusts in Italy, approved by legislation passed last spring. The first is expected to begin offering subscriptions in a few weeks and veterans of the bourse say this kind of professionally (and carefully) managed mutual fund could attract small investors for the first time.

## J. C. Penney recovers to lift third quarter profits 22%

BY OUR NEW YORK STAFF

J. C. PENNEY, one of the largest retailing chains in the U.S. reported a 22 per cent increase in net profits for the third quarter from \$7m to \$8.6m or \$1.28 a share.

The figures were depressed a year ago by a \$3m loss in operations which have been discontinued.

Over the first nine months, net income amounted to \$207m or \$2.78 a share, against \$189m in 1982, which included a \$7m loss from discontinued activities.

Third quarter sales came to \$2.6bn against \$2.5bn, and over the nine months they have risen from \$7.6bn to \$7.9bn.

Mr William Howell, chairman, who has been responsible for moving the group's product line towards a more up-market image, said that he was optimistic about the remainder of this year. Real disposable income was growing and consumer confidence was strong, he said.

Federated Department Stores, the largest U.S. department store group and owner of Bloomingdale's in New York and Carter-Hawley Hale, the regional, specialty store operator, also announced increased sales and profits in the third quarter.

Sales gained 11 per cent to \$2.1bn at Federated. Net earnings jumped from \$38.7m to \$52m or \$1.09 a share. This year's total includes an extraordinary \$38.1m gain-\$40.1m profit from the sale of shopping centres which was offset by a \$12m loss on liquidation of Bul-

lock's stores in northern California. For the nine months, Federated has net earnings 63 per cent ahead at \$165.6m or \$3.41 on sales 14 per cent up at \$5.8bn. Last year, the group earned \$232.6m or \$4.79 a share.

Carter-Hawley Hale reported net earnings one-fifth higher at \$5.7m or 15 cents a share for the quarter. Sales showed a similar gain at \$848.5m.

Lucky Stores, the diversified U.S. retailer, reported operating net profits of \$18.3m or 36 cents a share for the third quarter, against \$18.8m or 38 cents. Revenues rose from \$1.98bn to \$2.03bn.

For the nine months, operating net rose to \$90.7m or \$1.30 a share, against \$51.1m or 99 cents.

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## Accountants censured over Litton losses

BY TERRY DODSWORTH IN NEW YORK

TOUCHE ROSS, the international accounting firm, has been reprimanded by the U.S. Securities and Exchange Commission for its failure to "maintain a healthy scepticism" in its auditing of Litton Industries' shipbuilding activities in the early 1970s.

The SEC's charges, which Touche Ross has neither admitted nor denied in acknowledging the censure, represent the first important case brought against a big accounting firm in the U.S. for some time.

They follow criticism that the Commission has been relaxing its vigilance over the accounting profession. The SEC's strict codes led to a rash of cases in the 1970s.

The audits covered by the investigation were carried out between 1972 and 1977. During that period, Touche Ross is said to have allowed Litton to postpone recognition of \$330m of losses on a navy shipbuilding contract.

Although the auditors qualified the Litton report and accounts because of uncertainties over a dispute with the navy on the contract, the SEC considered it should have gone further and recognised the losses earlier.

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## Finnish Sugar in overseas share sale

By Lance Kayworth in Helsinki

FINNISH Sugar Company, the largest manufacturer of sugar, fructose and xylitol in Finland, is floating a new issue of 1m shares priced at FM 92 (\$16) a share. The nominal value of the shares is FM 20.

A unique feature of the issue is that it is being made through the Helsinki stock exchange but for sale primarily in Stockholm, Paris and London. It is the first time a Finnish company has attempted this form of financing, and Finnish Sugar's first venture into the international market.

The issue is expected to bring in FM 165.6m. Of that total, FM 21.6m will be used to raise the company's share capital from the present FM 144m to FM 165.6m and most of the remainder will be spent on investment projects.

Finnish Sugar has a 50-50 joint venture with Hoffmann-La Roche of Switzerland to produce xylitol and fructose. Xylitol is a sugar made from birch which is good for the teeth. Finnish Sugar will start marketing it intensively in the U.S. now that the World Health Organisation has approved it.

## Rights issue for Crossair

By John Wicks in Zurich

CROSSAIR, the Zurich-based regional airline, is doubling its capital by a rights issue. This will bring total bearer and registered share capital up to SwFr 50m (\$19.88m).

The company plans to start over-the-counter trading on the Zurich Bourse. At present, this takes place only in Basel.

At the same time as the capital increase, existing registered shares of SwFr 1,000 nominal value are to be split into units of SwFr 250.

The SwFr 25m worth of new stock will consist of SwFr 15m in the form of registered shares at the new nominal value of SwFr 250, the remaining SwFr 10m face value to be made up of bearer shares of SwFr 500 each.

## Bonn determined to tighten banking law

BY RUPERT CORNWELL IN BONN

THE WEST GERMAN Government is determined to secure Cabinet approval for its long-promised tightening of the banking law by next January, in the hope of pushing it through parliament during 1984.

This was made clear yesterday by Herr Gerhard Stoltenberg, the Finance Minister, who emphasised that the recent emergency rescue of the private bank Schröder, Münchmeyer, Heugst and Co. (SMH) made it all the more important that this timetable be adhered to.

The amendments to existing legislation will, above all, force banks to consolidate into their figures the results of offshore subsidiaries, something for which the Bundesbank has long been pressing.

## Gulf & Western sells Bliss subsidiary

BY WILLIAM HALL IN NEW YORK

GULF & WESTERN, the New York-based conglomerate in the midst of a wide-ranging reorganisation of its activities, has sold its E. W. Bliss mechanical handling operation to a group of investors led by Mr William H Binie of Boston.

E. W. Bliss produces mechanical and hydraulic presses and mill equipment at manufacturing facilities in Salem, Ohio and Hastings, Michigan.

## Frionor profits static

BY FAY GJESTER IN OSLO

FRIONOR, the Norwegian frozen foods co-operative, reports unchanged operating profits of NKr20.4m (\$2.74m) in the year ended June 30, despite higher turnover.

Most of this - NKr15m has been returned to Frionor's 100 member plants in Norway as a bonus on products supplied.

Sales for 1982-83 rose to NKr1.64bn from NKr1.34bn, and in

Gulf & Western is in the process of divesting itself of about a fifth of its assets and sales. E. W. Bliss was known to be one of the companies up for sale with other operations such as Arlington Racetrack and Roosevelt Raceway.

Gulf & Western's remaining manufacturing operations will concentrate on the transport, electronic and construction markets.

Frionor exports to 30 countries worldwide. The U.S. was the largest single market last year, taking 25.8 per cent of total exports. The EEC and EFTA together took 34 per cent.

## Canadian bid resisted by Scots broker

By John Moore in London

REED STENHOUSE, the Canadian based insurance broker, yesterday revealed a plan to merge with Stenhouse Holdings, the Scottish insurance broker, in a deal worth £53m (\$77m). But the deal is being resisted by Stenhouse family interests and other members of the board.

Mr Paul Stenhouse, grandson of the founder of Stenhouse Holdings, who sits on the board, said that his business interests, Stenhouse Western and other family interests holding around 31 per cent of the shares "certainly won't accept the offer. I have been a prime mover in wanting a merger but the terms of this offer are not attractive."

Stenhouse Holdings has a long standing relationship with Reed Stenhouse. In 1973 it combined with the Canadian group, then called Reed Shaw Osler, taking a 55 per cent stake. This interest has been reduced to the present 48.9 per cent by expansion of Reed Stenhouse's capital base over recent years.

The merger attempt was designed to simplify the present group structure and create a more unified company. Reed Stenhouse is offering one of its shares and 20p in cash for every five Stenhouse Holdings shares.

Already Continental Corporation, the U.S. insurance group which holds 20 per cent of Stenhouse Holdings, has said that it will accept the offer.

On the London stockmarket shares in Stenhouse Holdings climbed 21p to 127p.

Between November 8 and November 14 the shares of Stenhouse Holdings rose from 100p to 106p

## Seagram buys wine company

By Robert Gibbens in Montreal

SEAGRAM of Canada, the world's largest distiller, has doubled its share of the fast-growing U.S. wine market to about 12 per cent with the acquisition of Wine Spectrum from Coca-Cola for \$200m.

Seagram expects a slight gain in net profits for the half year to January 31. The company's year end has been changed from July 31 to harmonise more closely with that of Du Pont, in which Seagram has a more than 20 per cent holding.

World sales of distilled spirits have declined about 1 per cent in 1983, but Seagram continues to gain in market share, according to Mr Edgar Bronfman, chairman. In Canada sales of spirits have fallen in all categories because of the recession and high taxes.

These securities having been placed privately, this announcement appears as a matter of record only.

## NMB BANK

Established in Amsterdam, The Netherlands

Dfls 100,000,000  
9% Bearer Notes due 1988

Nederlandsche Middenstandsbank nv  
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Banca del Gottardo  
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September 1983

This announcement appears as a matter of record only.



## Crédit d'Équipement des Petites et Moyennes Entreprises

Dfls 100,000,000  
Private Placement

Guaranteed by the Republic of France

Arranged by

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Banque NMB - Interunion S.A.

October 1983



All these securities have been sold. This announcement appears as a matter of record only.

NEW ISSUE



571,428 shares at US\$5.25 per share  
with warrants attached to subscribe for  
a further 271,179 shares at US\$7.375 per share

The private placement of these securities  
with international investors was  
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**Enskilda Securities**  
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This announcement appears as a matter of record only.

## Republic of Indonesia

acting by and through its Minister of Finance

**U.S.\$11,250,000**

Medium Term Italian Export Credit Loan

relating to a contract awarded to  
**NIRA S.p.A.**

with an interest subsidy granted by  
Istituto Centrale per il Credito a Medio Termine  
**Mediocredito Centrale**

Arranged by  
**Morgan Grenfell & Co. Limited**

Provided by  
**Saudi International Bank**  
Al-Bank Al-Saudi Al-Ahram Limited

The Mitsui Trust & Banking Company Limited

Credito Italiano Finance Corporation Limited

Morgan Grenfell & Co. Limited

Agent  
**Morgan Grenfell & Co. Limited**

Italian Paying Agent  
**Credito Italiano**  
Genoa Branch

New Issue

November 1993



## Primary Industry Bank of Australia Limited

(Incorporated with limited liability under the New South Wales Companies Act, 1961)

**A\$40,000,000**  
**13% Capital Bonds due 1998**

**Orion Royal Bank Limited**

**Algemene Bank Nederland N.V.**  
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**Credit Suisse First Boston Limited**  
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**Banque Indosuez**  
**Hambros Bank Limited**  
**Nederlandse Credietbank n.v.**  
**J. Henry Schroder Wagg & Co. Limited**  
**Sumitomo Finance International**  
**Westdeutsche Landesbank Girozentrale**

**Amro International Limited**  
**Banque Paribas**  
**Deutsche Bank Aktiengesellschaft**  
**The Nikko Securities Co., (Europe) Ltd.**  
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**Societe Generale de Banque S.A.**  
**S. G. Warburg & Co. Ltd.**

## INTL. COMPANIES & FINANCE

Paul Taylor reports on measures to revitalise the world's largest photographic group

### Kodak looks to a leaner and meaner future

AFTER a disastrous first nine months of 1993 for Eastman Kodak, Mr Colby Chandler, the chairman and chief executive, believes the worst may now be over.

Mr Chandler, who has been at Kodak for 33 years, took over the number one job at the world's largest photographic products group from Mr Walter Fallon in July. He is perhaps trying to engineer the first major change in Kodak's corporate philosophy since 1922.

The major challenge facing Mr Chandler, who drives to work in a pickup truck, is to turn the multinational giant back into a lean, mean and aggressive marketing machine capable of defending its traditional markets from the incursions of new competitors while also positioning the company to expand into new fields.

Mr Fallon told shareholders at the May annual meeting: "We are making fundamental changes in the way we do business." Picking up where Mr Fallon left off, the new chairman has already extended Kodak's first major cost-cutting programme for decades. So far this year some 7,500 jobs in the U.S.—about 8 per cent of the workforce—have been axed, divisions have been merged, capital spending more than halved, the 34 worldwide agencies reduced to just three and being produced.

In Rochester, New York, where Kodak has its headquarters and employed about 60,000 people at the start of the year, employees have discovered that a job with "father yellow," as Kodak was once affectionately called (a reference to the distinctive yellowing of its photographic products), is no longer necessarily a job for life.

"People are really scared for their jobs for the first time in their lives," said a Rochester banker whose family mostly works for the photographic giant.

Since the start of this year Kodak, with 93,000 employees in the U.S. and 136,500 worldwide at the end of 1992, has

announced the following:

● January 4: Kodak offered early retirement to most of its 93,200 U.S. employees. Mr Chandler says while "we have not revealed the numbers who left the company under this programme, the total was within our expectations and significantly reduced the size of our workforce." Wall Street believes between 3,500 and 4,500 workers accepted the offer which cost Kodak \$145.9m in the first quarter.

● January 10: Kodak dismissed 1,100 employees at its Rochester apparatus division, including many making the company's much vaunted disc camera.

● May 6: The company laid off an additional 1,100 at the apparatus division. The same day it said it would break with tradition and not hire college students for the summer.

● June 30: Kodak deferred end-year bonuses for 90,000 employees until mid-1994.

● August 8: The company extended unpaid holidays to almost all its Rochester workers after some 3,000 employees had opted for unpaid leave.

● October 24: Kodak said it would axe a further 800 jobs in Rochester and Windsor, Colorado, by November 18.

Mr Chandler says the job reductions were a necessary adjustment of the manufacturing workforce "to bring it in line with business conditions." He also hints that the actual job reductions could turn out to be higher, because of the current policy of non-replacement.

No one who saw Kodak's earnings plunge at the start of the year questioned the need for the cost reductions—or the company's determination to make them.

Battered by the strength of the dollar, fierce price competition and escalating costs, Kodak reported operating earnings of just \$77.2m in the first quarter—before the costs of the early retirement programme—down from \$282.3m in the 1992 quarter. That set the stage for ripping Kodak's 1993 profits picture and the analysts' earnings projections to shreds.

Last week Kodak reported, as expected, sharply lower third quarter earnings and nine-month earnings down 42 per cent at \$447.8m. Equally significantly, worldwide sales, hampered by the dollar's strength, a factor which Kodak estimates has cost it \$30m in the past two years, are marginally down at around \$7.8bn in the first nine months. About 40 per cent of sales are outside the U.S.

Kodak, once one of Wall Street's favourite stars performers, is only now regaining stock market confidence. After a prolonged bout of embarrassment, Wall Street analysts are returning to some enthusiasm for the stock.

Miss Brenda Lee Landry, an industry analyst with Morgan Stanley, says with some pride, that her firm was projecting 1993 earnings at the start of the year around \$8 a share when others were forecasting \$10.50. Today Morgan Stanley, in the several other major Wall Street firms, has just reversed its shareholder advice from "sell" to "hold," is projecting \$4 a share this year, creeping back up to around \$7.50 in 1995.

What makes the heads count so crucial is that Kodak can no longer rely on dominating the



Mr Colby Chandler

amateur film and photographic paper market in the way it once did. New low-cost competitors, like Japan's Fuji Photo, have challenged its supremacy—first in the world market, where Kodak accounts for about 50 per cent of total film sales, and now in the U.S.

Fuji, which delivered a snub to Kodak last year by outbidding the U.S. giant for sponsorship rights to the 1994 Los Angeles Olympics, has a reputation as a ruthless market grabber.

Wall Street analysts, and Kodak's own results, suggest unit volume in the paper and film business is currently flat to marginally higher. As the recovery in consumer spending continues, Wall Street believes unit volume should increase by between 4 and 7 per cent.

But while Fuji may not be stealing the market share at the moment, its pricing policy, is forcing Kodak to keep margins thin.

To counter the longer term threat, Kodak is revamping its marketing strategy and introducing a new range of products. Significantly, two marketing men, Mr Philipp Samper, formerly general president for marketing, and Mr Wilbur Pressano, manager of worldwide marketing, were both promoted to senior executive positions when Mr Chandler became chairman.

The new management team is likely to face some tough marketing decisions. There are persistent rumours that Kodak may be about to abandon its instant picture camera business, a market which is expected to cost Kodak about \$100m this year.

After a spectacular debut, Kodak's disc camera also faces problems. While it is unquestionably Kodak's most successful launch project—the company has shipped more than 10m units since its launch last year, more than double the number of Kodak-L10 cameras shipped in the first year—sales are beginning to flag.

Mr Chandler accepts that Kodak will in future have to accept lower margins across the board. Over the past 10 years

its net earnings have averaged 12.5 per cent of sales. Last year, when the median rate of return by Fortune 500 companies was 3.8 per cent, Kodak earned 10.7 per cent.

But the big unknown factor is the degree to which Kodak will be successful in fending off—or more likely attacking—the emerging electronic image market. Mr Chandler says: "Competition is nothing new to us."

While Kodak has undoubtedly missed opportunities in the past, in the mid-1970s it finally decided to enter the well entrenched copier market.

The result was perhaps one of Kodak's most spectacular successes. Its top-end range of Ektaprint copiers have carved out a major share of the most profitable section of an apparently saturated market.

Kodak is now hoping for similar successes in other markets. So far it has effectively stalled Sony's plan for a new type of electronic camera capable of generating television screen pictures.

Wall Street analysts agree that Kodak must attack the computer and electronic imaging sectors if it is to regain its vitality. "It is a question of how fast it can diversify," says Miss Landry.

Separately Kodak has also been bolstering its already strong position in the medical market, based initially on its advanced X-ray films but now extending into the chemical diagnostics field.

All this should be some comfort to Kodak's shareholders, who have seen the value of their blue-chip investment plunge from a high of \$99 a share just over a year ago, from \$67 and \$70 a share recently.

In apparent recognition of shareholders' suffering and its still strong cash position, Kodak said on Friday that it would maintain its 1993 special dividend, in addition to its normal 75 cents third quarter dividend. It would also pay a \$25m wage bonus for its remaining employees—it has paid wage dividends every year since 1921, with the exception of 1933.

### Turnover falls at Supreme

SINGAPORE — Supreme Corporation has reported a 9 per cent decline in group turnover for the year ended June 30 to 148.5m ringgit (U.S.\$63.4m).

The company said its profit, after taxes and extraordinary items, rose by 6 per cent to 8.5m ringgit. Agriculture and property divisions had fared worst.

Supreme Plantation Industries, an associate of Supreme Corporation, reported a 30 per cent drop in turnover to 48.4m ringgit. The company's loss widened to 7.4m ringgit from 3.1m ringgit in the previous fiscal year.

Both the parent company and the plantation division blamed the world recession for the lower results. The plantation division said its palm oil refinery had operated at a loss during part of the year. The refined palm oil industry will take some time to readjust itself.

The plantation unit did not announce any dividend. But it said it would ask shareholders approval for a one-for-one rights issue of 30.8m 1-ringgit shares at 1.20 ringgits each. The parent company said it had reduced its holdings in Supreme Plantation to below 51 per cent from 66 per cent. APJ

### Stagnation hits Japanese shipping

BY YOKO SHIBATA IN TOKYO

FIVE OF JAPAN'S major shipping companies have reported disastrous results for the first half year ended September 30, as a consequence of continued stagnation in the world shipping market.

During the half year, Japan's outbound liner trade to advanced nations (other than the U.S.) and those to developing nations were extremely inactive. Liner services suffered from reduced cargo movements, too many new vessels and intensified competition.

Tanker services suffered structural stagnation, while the tramp market was also dull as a result of a slump in cargo volume, coupled with an oversupply of capacity caused by new vessel construction.

The exception to the trend was Nippon Yusen Kaisha (NYK), the world's largest shipping concern, which achieved an outstanding earnings performance rising to net profits by 163 per cent to 1.3bn yen, thanks to its drastic streamlining measures as well as to the positive financial management strategies undertaken in response to slower economic growth.

During the half year, NYK suffered a 10.7 per cent drop in revenue, as a result of revenue falls in all three of its major divisions: liner services, tramp shipping and oil tankers.

However, drastic rationalisation measures such as trimming down excess bottoms by 16 vessels totalling

1.16m tons, including chartering back 8 vessels, have reduced chartering charges by ¥14.2bn (¥90.5m).

In the second half year (ending March 31), the shipping market is expected to remain depressed. NYK's full-year recurring profits are likely to fall by 20 per cent to ¥1.1bn, or full-year revenue of ¥530bn down by 12 per cent from the previous year.

Mitsui O.S.K. suffered sluggish cargo movement in its liner division, except for the United States. Its mainstay, car carriers, remained especially depressed, reflecting sluggish car exports to the Middle East. An improvement in non-operating income, such as higher dividends from its subsidiaries and foreign exchange gains, failed to cover deteriorating profitability in shipping markets. Net profit fell 16.3 per cent to ¥1.6bn on sales down 10.3 per cent.

However, Mitsui O.S.K. expects an improvement in liner trades with advanced nations in the second half year. Full-year pre-tax profits are expected to reach ¥6bn, down by 50 per cent.

Kawasaki Kisen fell into a pre-tax loss of ¥900m (down from a ¥1.2bn profit). Sluggish tanker markets and reduced cargo movements in Latin America and trades hit the company. For the full fiscal year, Kawasaki expects to return to the black with full-year current profits of ¥1.2bn.

**Thai bank to lift capital**

BANGKOK—Thai Farmers Bank is to quadruple its registered capital to 4bn baht (US\$174m) from 1bn baht, Mr Phongthep Mahaputra, the executive vice-president, said.

The bank's board has informed the Thai Securities Exchange of the decision, which is in line with its policy of continued expansion of current operations over the full range of commercial banking activity.

Mr Phongthep said 30m new 100 baht shares would be issued after the capital increase is approved by a shareholders' meeting later this month.

Thai Farmers ranks third in terms of assets and deposits among Thailand's 16 domestic commercial banks, after Bangkok Bank and the state-owned Krung Thai Bank. Reuter

**Strong advance in sales and earnings for Ricoh**

BY OUR TOKYO STAFF

RICOH, JAPAN'S leading manufacturer of office automation equipment, which will start plain paper copier production at Telford in the UK from 1995, posted a 45 per cent jump in recurring profits to ¥13bn (US\$3.2m) for the first half year ended September 30.

Net profits for the first half year were ¥6bn, up by 47 per cent, on half year sales of ¥186.9bn—up by 19 per cent. The company's copier sales, accounting for 57.3 per cent of its total turnover, advanced by 19.3 per cent, helped by a 33 per cent rise in exports from the previous year. Ricoh's efforts to open two direct sales channels to market dry-type copiers under its own brand

name were rewarded. Sales of facsimile information equipment also surged by 24 per cent to account for 20.2 per cent of total turnover.

With the termination of unprofitable OEM (original equipment manufacturing) contracts to market copiers, Ricoh's exports of plain paper machines are expected to expand further.

As a result, full year sales are expected to reach ¥390bn, up by 19.8 per cent. Full year recurring profits are projected at ¥27bn, up by 48.9 per cent and net profits at ¥12.5bn, up by 99.7 per cent, from the previous year. The company will maintain the current annual dividend of ¥10.

The company sees little scope for improvement in the tanker and tramp markets in the current half-year ending March 1994. Japan Line expects its full-year pre-tax deficits to widen to ¥10.5bn.

The company sees little scope for improvement in the tanker and tramp markets in the current half-year ending March 1994. Japan Line expects its full-year pre-tax deficits to widen to ¥10.5bn.

**Wigmore secures 0.7% of BHP**

PERTH—Wigmore now holds a total of 2.5m shares in Broken Hill Proprietary (BHP), following market purchases at an average cost of AS12.38 each since the end of its tender offer which garnered 792,000 shares, Mr Robert Holmes à Court, the chairman, said here yesterday.

At today's closing BHP price of AS12.80 the stake is worth AS32m.

The holding represents only 0.73 per cent of BHP's issued

capital of 344.3m shares, but makes Wigmore the thirteenth largest single shareholder, stock exchange statistics show.

It remains the intention of the company to transfer its trading assets—mainly the Caterpillar franchise in Western Australia—and its subsidiaries to the Bell Group at December 31 for AS40.01m as previously announced. Reuter

**Australia will not sell off satellite stake**

By Colin Chapman in Sydney

THE Australian Government has overturned its previous decision to sell off a half share of its company, Austsat Pty, which will own the nation's domestic satellite. It has decided the float should not proceed.

In another reversal it has decided to allow Australia's three media dynasties—the companies headed by Mr Rupert Murdoch, Mr Kerry Packer and the Fairfax family—to use transponders on the satellite system for national networking and programme distribution, but not for direct broadcasting.

Mr Bob Hawke's Government has decided, however, to limit Australian Telecom's involvement in Austsat to a 25 per cent stake and directors on the board, and to create a new public authority rather than a powerful arm of an existing institution.

The decision to keep Austsat under a separate and mostly independent board will reassure sections of the business community, which strongly campaigned against Telecom control of the satellite.

The Government also decided to permit private earth stations whereby companies and private interests will be able to build their own facilities, and transmit and receive their own material via the satellite.

Telecom Australia has won the exclusive right to set up a national videotext service, which is expected to be based on the British-developed Prestel system.

The Federal Government's decision ends a three-year battle between Telecom and private enterprise, and reverses a decision of the Fraser Liberal Government, which had decided the field should be left to private enterprise. Now private enterprises' role will be limited to providing information services.

The Minister for Communications, Mr John Duffy, said that the new service would probably start by the end of next year.

Telecom has yet to set out its proposals in detail, but says it will engineer into its system a gateway facility, which will provide links to third party data bases where their owners wish to make their services available through the network.

One of the first in the field is likely to be the British Nottingham Building Society with its Homelink system. Mr John Webster, the society's managing director, said in Australia last week for the 18th world congress of building societies and savings associations.

He demonstrated Homelink's home banking facility, and is believed to have negotiated an agreement in principle with a consortium of Australian building societies.

The Government's decision has provoked a hostile reaction from those who had hoped to get part of the action.



## INTL. COMPANIES &amp; FINANCE

## St Gobain sees new doors opening as information project closes

BY DAVID HOUSEGO IN PARIS

AT LEAST one man in Paris sighed this month when the French stake in Olivetti of Italy was cut from 33 per cent to 10 per cent.

We would have achieved something almost without price, says M. Alain Minc, finance director of St Gobain, the diversified glass and pipe manufacturer. It initially held the whole French stake in Olivetti, through its majority control of Compagnie des Machines des Eaux, and had been planning an extensive tie-up with Olivetti in information processing.

Now nationalised, and squeezed out of the information industry by the Government, Saint Gobain, the most international of the major French industrial groups, has been breaking into new pastures. Over recent months it has acquired a controversial 20 per cent stake in Compagnie Generale des Eaux, the privately-owned water distribution group which has diversified into other urban services, at a cost of about FF1.1bn (\$123m); taken a 25.7 per cent holding in Societe Generale d'Entreprises Saintrapt et Eries (SGE-SE), the construction company, for FF1.15bn; and bought a 15 per cent share in Technip, the engineering group for FF1.22m.

The principal aim is the chance to win a major market share in the growing world-wide demand for water distribution systems and a related range of urban services from sewage disposal, to street cleaning and chalking for television.

The group sought opportunities to diversify as soon as it was told by the incoming Socialist administration in 1981 that it had to pull out of the data processing industry. Most of its traditional activities in flat glass, insulation pipes and machinery, paper and wood, containers and fibre cement have for some years been growing sluggishly.

M. Minc lists three criteria for the group's choice. It wanted to expand in France because Saint Gobain has always been a French-based group with a rule of thumb that not less than 50 per cent of its activity should derive from its French interests. Last year its French operations generated 51 per cent of group turnover of FF1.51.3bn (of which some 38 per cent was in domestic sales) and 72 per cent of its 128,497 employees worked in France. It further reassured expanding in France, says M. Minc, is that "if you are moving into a new trade you do not take the double risk of shifting country

too. But we also wanted something with international potential."

The second criterion was to choose a service-based industry, as not requiring the same investment outlays as its current capital-intensive activities. The group also sought a service sector allied to the technology it knows.

The third criterion is described thus by M. Minc: "The



Alain Minc (left), finance director of St Gobain, regrets lost opportunities in information processing as the French 33 per cent stake in Olivetti is redistributed 22.4 per cent to Olivetti itself and 10 per cent to CIT-Alcatel. St Gobain is, however, branching into new areas, in particular into water distribution and ancillary industries internationally.

TMF can suppress many things but the one thing it cannot suppress is water."

Saint Gobain already has a major pipe-supplying capacity through its Pont-a-Mousson subsidiary, which is just completing a large contract for laying a water system for Baghdad. In its contracting division it has in Sobeca, a company specialised in pipelaying which has also been branching out into other activities such as the treatment of urban waste and the management of car parks.

For a "grand water strategy" the group needed to strengthen its potential in engineering, public works construction and city management services. "The turning over to the private sector of the management of urban services is one of the major growth areas of the future," argues M. Minc.

The most important move was the purchase of the stake in Compagnie Generale des Eaux. This caused a major entry on the Paris Bourse this year, because it involved a nationalised industry gaining a substantial foothold in one of France's most successful private companies. M. Minc does not conceal his joy. In financial terms, he says, Compagnie Generale des Eaux is the "richest company in France" with a capital base of FF1.3bn, FF1.1bn in debt and FF1.1bn in liquid holdings. Saint Gobain also sought control of a further block of 13 per

cent of the shares. But bitter opposition to this from the board of Compagnie Generale des Eaux, means that 10 per cent was sold to the Schumacher group and 3 per cent to Banque Nationale de Paris (BNP), the nationalised bank.

Relations between Saint Gobain and Compagnie Generale des Eaux remain delicate. But M. Minc leaves no doubt that St Gobain intends to have a

voice in the management and in pushing for international expansion. The immediate gain from its stake in SGE-SE is to strengthen Saint Gobain's civil engineering side and to transform it into one of the largest public works groups in Europe. M. Minc says that Sobeca was having problems in competing for pipe laying contracts with other construction companies, like Bouygues and Spie Batignolles, because it lacked their civil engineering capacity.

Saint Gobain purchased its 25.7 per cent stake in SGE-SE from another nationalised group, Compagnie Generale d'Electricite, the electronics concern, which still owns 25 per cent. M. Minc declines to confirm ideas that Saint Gobain will move to majority control. "It is a marriage," he says, "and we will see how it evolves."

As for the third arm in its diversification strategy, the purchase of the 15 per cent stake in Technip, M. Minc sees this as buying into a company with which Saint Gobain already has close links as suppliers and clients. Technip, which made a declared operating loss last year of FF1.25m, has developed glass, insulation and pipe factories with Saint Gobain.

The acquisitions have been financed out of Saint Gobain's chest of over FF1.7bn—result-

ing from the FF1.1bn for selling its data processing interests and over FF1.700m raised on the French capital markets through the issue of "titres participatifs." These are the new non-voting loan stock, midway between a bond and a share, by which French nationalised industries can raise capital privately without diluting their state ownership.

Though Saint Gobain is one of the few state-owned companies making profits, M. Minc concedes that its results are "mediocre" by international standards. The group recorded a 42 per cent drop in net consolidated profits in 1982 (including special provisions) to FF1.257m on a 17 per cent increase in turnover to FF1.51.3bn. M. Minc does not expect much improvement in profits this year.

The group's activities are heavily based on building (in which new starts in France are 50 per cent down on three years ago) and the automobile industry. Both have been badly hit by recession. Its profits this year are being mainly generated by its foreign subsidiaries.

M. Minc identifies the three problem areas as:

- Insulation, which accounts for 15 per cent of group sales. After sharply increasing in the wake of the two oil shocks, the market in Europe "has now fallen faster than it rose."

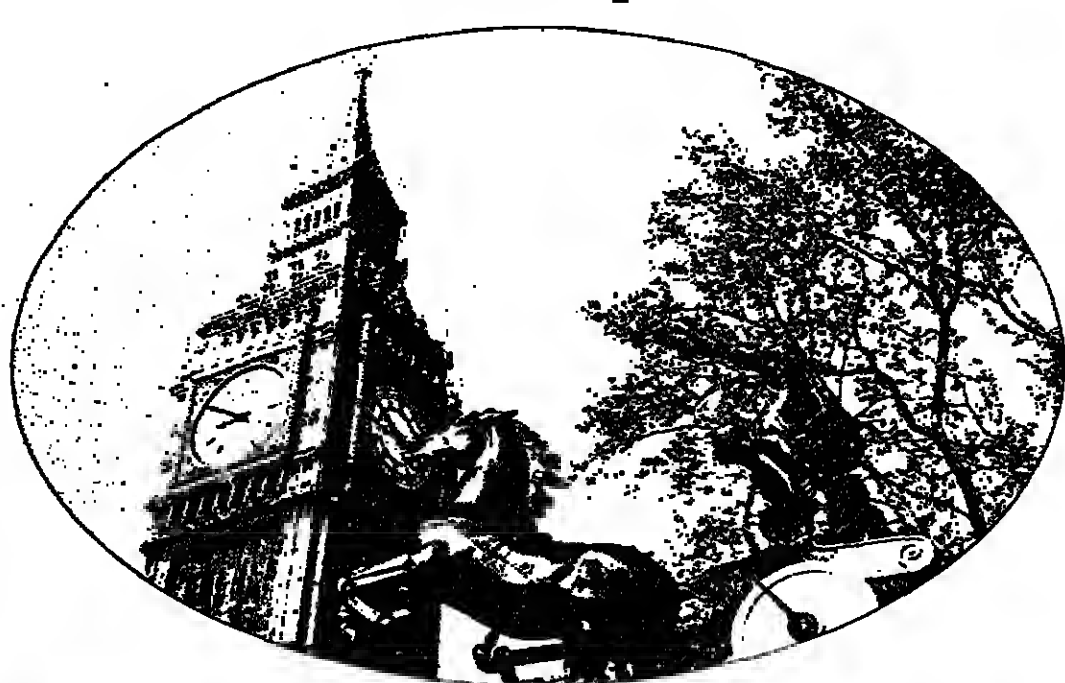
- Machinery, which has suffered losses in its foundry operations for the automobile industry (amounting to about FF1.500m of turnover). A restructuring and cut in capacity are being undertaken.

- The paper-wood division, in which Saint Gobain incurred losses last year of some FF1.125m on wood operations.

By contrast the container division, specialising in bottles and flasks, is pulling in strong profits, M. Minc says, and earnings from the flat glass division—the group's main activity, accounting for about FF1.8bn of sales—are "not bad."

Unlike many other state-owned companies in France, Saint Gobain is not dependent on the French Government for either funds or markets. M. Minc sees that as an important factor in minimising state intervention and reinforcing its independence. Its next major move is likely to be in the U.S., where CertainTeed, the insulation group in which it has a majority holding, carried out a capital increase in the spring. "With \$1bn turnover and a solid financial base, it could be looking to add a new division with an additional \$200-\$300m of sales."

## The Gulf brings Kuwait and the Middle East to Europe



Exporters from Western Europe sold over US\$36 billion in goods and services to the Arabian Gulf countries last year.

European technology and manpower, providing vital services for fast growing Gulf economies, accounted for even more. European contractors participated in project contracts worth over US\$12 billion, almost 80% of all project contracts in the Gulf countries.

And Gulf investors placed billions more in Western Europe—in industry, commerce and the financial sector. Impressive numbers, and continuing evidence of a thriving Arab-European business links that go back a long way, providing excellent business opportunities for you. As a businessman, however, you know that behind every successful transaction, there is a hardworking, professional team giving backup. Efficient and responsive banking support has to be a key part of the action.

The Gulf is one of the leading banks of the Middle East. Homebased in Kuwait, we've been handling

international business in the Arabian Gulf longer than most.

The Gulf built its business on a commitment to service as a top priority. We believe that a bank with such a commitment has a simple edge: a better understanding of what the client wants and the full range of services required to build strong relationships.

Add The Gulf to your team and you'll get action, plus our expert knowledge of the Gulf markets. This kind of expertise is a natural part of our service. Competitive and fast foreign exchange, professional project and trade finance, smooth syndications, flexible deposit services—you'd expect nothing less from a bank that operates around the clock, around the world.

We'll complement your team with a professionalism that comes only from experienced management and commitment.

Talk over your plans with our team in London—your link with The Gulf in Kuwait, Singapore and New York.

THE GULF BANK بنك الخليج

Established 1960

We're here, to help you deliver.

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Telex: General 22001 GULFBK KT, Foreign Exchange Dept. 22015 GULFBANK FX KT, 22739 GULFBANK KT  
Singapore Branch: The Gulf Bank K.S.C., 21 Collyer Quay #17-01, Hongkong Bank Building, Singapore 0104. Tel: 2243722. Telex: RS 22437 GULFBK  
New York Agency/IBF: The Gulf Bank K.S.C., 520 Madison Avenue, 10022 New York, N.Y., U.S.A. Tel: 212-715-2300. Telex: ITT 425898 GULFBK NYK

All of these Securities having been sold, this announcement appears as a matter of record only.



New Issue / November, 1983

\$350,000,000

The Chase Manhattan Corporation

Floating Rate Subordinated Notes Due 1995

Interest on the Notes is payable quarterly on Interest Payment Dates in February, May, August and November of each year, commencing February 10, 1984. Interest on the Notes for each quarterly period will be the arithmetic mean of London Interbank offered quotations for three-month deposits of the currency of the Notes prevailing two New York Business Days before the beginning of each Interest Period (subject to a minimum rate of 5 1/4 % per annum).

Salomon Brothers Inc

Lehman Brothers Kuhn Loeb

The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch Capital Markets

Bear, Stearns & Co.

A. G. Becker Paribas

Blyth Eastman Paine Webber

E. F. Hutton & Company Inc.

Kidder, Peabody & Co.

Prudential-Bache

L. F. Rothschild, Unterberg, Towbin

Shearson/American Express Inc.

Smith Barney, Harris Upham & Co.

Dean Witter Reynolds Inc.

Thomson McKinnon Securities Inc.

## INTERNATIONAL FUND MANAGEMENT

The Financial Times Survey on International Fund Management will now be published on Monday, November 28

\$250,000,000  
J.P. Morgan International Finance NV

Guaranteed Floating Rate Subordinated Notes Due 1997  
For the three months 16 November, 1983 to 16 February, 1984 the Notes will carry an interest rate of 10 1/4 per cent per annum.

Interest payable on the relevant interest payment date, 16 February 1984 against Coupon No. 7 will be US\$257.15.  
By: CITIBANK N.A., London  
Agent Bank

SCANDINAVIAN FINANCE BV  
(Incorporated in the Netherlands with limited liability)

Notice to the holders of the outstanding U.S. dollar denominated Floating Rate Subordinated Notes due 1990 of Scandinavian Finance BV, in bearer and registered forms (the "Notes") and the "Notes" respectively) guaranteed on a subordinated basis by

SCANDINAVIAN BANK LIMITED  
(Incorporated in England with limited liability)

NOTICE is hereby given to the Noteholders that at the adjourned meeting of Noteholders held on 4th November, 1983 the Extraordinary Resolution proposed at that meeting was duly passed. Accordingly Condition 9 of the Second Schedule to the Trust Deed dated 13th April, 1983 constituting the Notes has been deleted with effect from the passing of such Resolution by means of a Supplemental Trust Deed dated 15th November, 1983. Revised particulars of the Notes are available in the statistical services of Eitel Statistical Services Limited.

Registered Office:  
De Langenstraat 131-135,  
1076 HJ Amsterdam,  
The Netherlands.  
Dated 16th November, 1983

By Order of the Board of Directors  
of Scandinavian Finance BV.  
C.J. DAUBENY  
Director

SCANDINAVIAN FINANCE BV  
(Incorporated in the Netherlands with limited liability)

Notice to the holders of the outstanding Sterling denominated Floating Rate Subordinated Notes due 1990 of Scandinavian Finance BV, in bearer and registered forms (the "Notes") and the "Notes" respectively) guaranteed on a subordinated basis by

SCANDINAVIAN BANK LIMITED  
(Incorporated in England with limited liability)

NOTICE is hereby given to the Noteholders that at the adjourned meeting of Noteholders held on 4th November, 1983 the Extraordinary Resolution proposed at that meeting was duly passed. Accordingly Condition 9 of the First Schedule to the Trust Deed dated 23rd June, 1983 constituting the Notes has been deleted with effect from the passing of such Resolution by means of a Supplemental Trust Deed dated 15th November, 1983. Revised particulars of the Notes are available in the statistical services of Eitel Statistical Services Limited.

Registered Office:  
De Langenstraat 131-135,  
1076 HJ Amsterdam,  
The Netherlands.  
Dated 16th November, 1983

By Order of the Board of Directors  
of Scandinavian Finance BV.  
C.J. DAUBENY  
Director



## UK COMPANY NEWS

## Somic revival—interims restored

SHARPLY improved results were achieved by Somic, kraft paper spinner and weaver, for the six months ended September 30 1983 and the company is paying its first interim dividend since 1980.

Although sales were little changed at £1.33m, against £1.35m, profits at the pre-tax level rose to £112,394, which compares with a loss of £22,879 in the opening half of 1982-83 and profits of £33,944 in the second six months.

It is envisaged that a reduced level of expenses will be maintained and that the group will trade profitably during the remainder of the year.

First half earnings amounted to 2.7p (loss 1.14p) per 25p share and a one interim dividend of 1p is declared—a single dividend of 0.5p was paid for the previous full year (1p).

Trading profits for the six months totalled £90,819 (£41,128 loss) before adding income from rents amounting to £21,605 (£18,249).

Tax accounted for £58,492 (nil) to his interim statement Mr R. Blackburn, chairman, says that on the home market the continued recession is still making it difficult to obtain sales although it does now appear that some sectors in the economy are starting the long awaited recovery.

Abroad, he points out that Somic is still suffering from political instability in the Middle East and that exports to this important market have been greatly reduced. However, "visits are being made to open up new markets in other parts of the world and early signs of success are encouraging."

## New Court Trust

Revenue at New Court Trust, formerly Equity Income Trust, was up from £695,109 to £719,703 in the year to August 31 1983. The figure was after all charges, including tax of £325,891 compared with £327,464.

Earnings per 50p share were 14.39p against 13.9p, and net asset value per share rose from 299.7p to 394.5p. The final dividend is effectively raised from 9p to 9.625p for a total of 13.75p net (13.125p adjusted).

## Royal Insurance tumbles £17.3m in third quarter

HURRICANE ALICIA and severe weather in the U.S., together with a rash of major fires in the UK and Western Europe, were instrumental in bringing the profits recovery of Royal Insurance to a halt in the third quarter.

Pre-tax profits for that quarter were £13.1m, against £20.4m for the third quarter of last year. This setback swallowed up almost all the improvements achieved in the first half of the year, so that at the nine-month stage, profits before tax were less than £1m ahead at £63.9m against £62.4m.

Net profits attributable to shareholders were only £500,000 ahead at £51.6m, with earnings at 27.4p, compared with 27.1p per share.

General insurance premium income rose by almost 12 per cent from £1,285m to £1,446m, but the underlying growth allowing for the effect of currency changes was a mere 3 per cent.

Underwriting losses over the nine months soared from £199.9m to £163.4m. However, this was offset by investment income on the general insurance operations which increased 161 per cent in sterling terms from £176.5m to £296.6m, the underlying growth being 61 per cent.

Conditions continued to worsen in the U.S. where underwriting losses soared from £78.9m to £117.5m over the nine-month period. Premium income fell marginally, even when last year's acquisition of Milbank Insurance is included.

Fire claim of £44m net—resulted in a three-quarter underwriting loss of £37m, against a £2.8m profit in the third quarter last year. This cut back on the first-half recovery, with losses in the first nine months of £20.4m against £25.7m.

## Hugin management take 14% of £13m placing

Hugin, the cash register subsidiary of Electrolux, the Swedish appliance group, has completed its move to independence with the successful placing of £13m worth of new shares.

About 30 institutions, mainly UK but with a sprinkling of overseas investors, took up the £29 shares, according to Laing and Crutchfield, brokers to the issue. About 14 per cent of the equity was taken up by the Hugin management, while private client money was also invested.

Hugin designs and markets electronic cash registers and complete point of sale systems. It forecasts a pre-tax profit of £2m this year, rising to £1.5m next year compared with £1.5m.

The company is moving its headquarters from Sweden to London. Hugin's management team is led by Mr David Pope, chief executive, and the company credited with a strong record around from losses in the late 1970s.

Mr Michael Shanks, chairman of the National Consumer Council, and non-executive director of BOC, is chairman. Hugin plans to seek a Stock Exchange listing in 1984.

## HIGHLIGHTS

Lex considers the proposal by Reed Stenhouse, a Canadian insurance broker, to buy out Stenhouse Holdings, whose main asset is a 49 per cent stake in Reed. Still on the insurance trail. Lex looks at the latest three-month figures from Royal Insurance. Continuing difficulties in the U.S. have been compounded by heavy fire losses in Europe, leaving third-quarter results at Royal some way short of market forecasts and producing a general reduction in expectations for the whole of 1983.

The American Telephone and Telegraph prospectus is due today and Lex examines the uncertainties now being reflected in its share price performance.

In addition to Alicia, which cost £5.1m, other exceptional weather losses in the U.S. during the third quarter cost another £4.7m. The company was also hit by a deterioration in its workers' compensation account.

The good years of 1981 and 1982 have not only resulted in growing competition keeping down prices but have cost Royal £200m in dividend payments on good claims—double last year's payments.

Premium income in the UK increased by some 8 per cent over the nine months, but three large fires costing over £5m—including Royal's largest-ever UK fire claim of £44m net—resulted in a three-quarter underwriting loss of £37m, against a £2.8m profit in the third quarter last year.

This cut back on the first-half recovery, with losses in the first nine months of £20.4m against £25.7m.

The company is benefiting from better weather in the UK, compared with last year, but weather claims are running ahead of 1980 and 1981 levels. The cost of theft claims in the UK has risen by 27 per cent this year, but the motor account, excluding the Republic of Ireland, shows around £2m underwriting losses.

The life company in the group, Royal Life, is experiencing an exceptional year for new life business. Annual premiums have risen nearly 150 per cent over the nine months to £44.4m, while single premiums have doubled to £560m.

The company is benefitting from the new system of credit mortgage interest relief known as MIRAS, while its expansion of unit-linked business has been highly successful.

See Lex

## Norton Opax

The document containing recommendations of the board of Norton Opax for the Broadpact GP has been posted.

The Norton board reaffirms its forecast of profits of approx £12.5m, for year to the end of March 1984 and intends to maintain the current level of dividend payments on the enlarged capital.

AN UNUSUALLY HIGH level of car sales in August at Godfrey Davis (Holdings), together with contributions from its hire and park homes divisions, resulted in a 42 per cent increase in pre-tax profits for the six months to the end of September 1983.

The tangible surplus grew from £1.3m to £1.85m, which Mr C. A. Redfern, chairman, says can be seen in the light of profits of £2.6m for the year to the end of March 1983. He anticipates that profits for the last six months of the current year will exceed those for the same period of last year.

Turnover for the six months expanded from £45.79m to £50.57m. The net interim dividend has been effectively lifted from 1.2p to 2.5p. In the last full year, a total equivalent to 3.2p was paid after allowing for a one-for-four scrip last August.

The directors intend to pay a first dividend of 2.5p. First half earnings per 25p share moved up from 3.3p to 6.4p.

Mr Redfern says that Ford motor dealerships produced significantly higher profits than the same period in 1982 partly because of the boost to car sales in August. Consumer hire has now achieved the stability envisaged last year.

Last July the group disposed of its unprofitable holiday centre division, the result—a loss of £325,000 has been shown as an extraordinary item in the half year's results.

A change already made in the operation of the consumer hire division, which results in the group's ownership, rather than leasing, of the fleet, gives rise to a tax benefit.

Mr Redfern points out that the group's tax of £617,000 (£576,000) has been calculated at the rate of 33 per cent. Net profits emerged ahead from £524,000 to £1,245,000, from £524,000 to £1,245,000. Retained profits of £421,000 (£397,000) were arrived at after the extraordinary debit.

Godfrey Davis's Ford dealerships, which together with contract hire account for 55 per cent of group profits, received more than a usual volume boost in August from "A registration fever. However, the net effect on sales was diluted because car buyers held back their purchases on both sides of the registration month, and turnover has only increased a few points ahead of inflation. But profits are a different story—up by more than 42 per cent, with margins improving to nearly 4 per cent. This reflects the benefits of disposing of the holiday centre division, lost about £300,000 in their final year with the group, and the contributions from Park Homes' new acquisitions. Meanwhile, the group is becoming increasingly tax efficient as it continues its move from leasing to ownership of the contract hire car fleet. It plans to bring the remaining 2,000 cars into the ownership fold within two years, by which time £15m should be invested in contract hire. The group looks on track for around £2.6m pre-tax by the year-end, which puts the shares at yesterday's price of 87p, up 4p, a multiple of only 7.5, assuming a 33.3 per cent tax charge.

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## J. W. Spear losses cut as recovery continues

GAMES AND toy manufacturer J. W. Spear & Sons reduced its pre-tax losses by £22,000 to £15,000 in the first half of 1983 although turnover for the period was down from £4.84m to £2.55m.

In his last report the chairman expressed confidence that the worst was behind the company. The report accompanying the interim results says that, "a few months later," there is every sign that this is the case and that the company is recovering satisfactorily.

It is pointed-out that half-year losses largely reflected seasonality to the company's trading. The figure included associates' losses at £126,000, compared with £131,000 previously.

Tax took £13,000 (added £20,000). Loss per 25p share emerged at 4.3p (11.8p). The company ceased paying interim dividends last year because of the seasonal nature of its trading, although only a nominal 0.1p was paid for the full when pre-tax losses of £287,000 were incurred (£274,000 profit).

As reported in the statement for the 1982 year, the Dutch subsidiary ceased trading in May 1983 and the Dutch subsidiary ceased trading in May 1983 and the Dutch subsidiary ceased trading in May 1983.

Consequent losses were fully provided for in the 1982 financial statements and accordingly the results for the 1983 year will exclude these former subsidiaries.

Negotiations were in progress for sale of company's branch at Assen, Holland. Terms of a sale of Spear's interests to the former Dutch subsidiary, which are subject to UK Treasury consent, were formally agreed last month.

Terminal costs and losses amounting to £130,000 to the June 1983 year were a provision in the 1982 financial statements and were therefore excluded from the results.

FOR THE half year ended September 30 Young and Co's Brewery turned over the opening half expanded from £15.37m to £16.16m and at the trading level profits moved up by £392,000—last time gains on property sales added £24,723.

The interim dividend is being stepped up from 2p to 2.5p net per 50p share. For the 1982/83 year a final of 2.5p was paid from trade into reserves (£1.94m).

Young has clearly done well to maintain its recent growth trend at a time when volume sales have slumped by 6 per cent. As sales must be especially hard-hit as the figure reflects a 9 per cent increase in the growing, larger side of the business. No details are forthcoming but the benefits emerging from the costly brewery modernisation programme coupled with the policy of transferring more public houses from tenancy to management must be very substantial to give a first-half profits rise of 30 per cent. On the trading level the company usually displays some measure of relative strength because of its London base, but this year the unusually long and hot summer took a lot of trade into rural locations. Although the underlying weakness of beer demand continues to be a worry, the improved use of resources should more than compensate in the short term. A 20 per cent increase to £2.6m pre-tax should be possible this year, making a fully-taxed p/e of over 30 at 290p, up 13p, look demanding against other regional brewers.

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100-443887-100

# First half profit rise for HAT

The expected relief from petroleum revenue tax and corporation tax arising from this would, says Charterhall, considerably enhance the benefits of the Forties interest. The consideration for the unit, £7.5m, will be payable in cash or about January 3 1994. The company made no specific

● **comment.** The Charterhall rights issue seemed to surprise the market. This was largely because it was known that tenderers for working interests in the Forties Field had to demonstrate to BP that they could meet the bill from

### R. Cartwright

Of the rights issue by R. Cartwright Holdings, some 1.02m shares have been taken up, representing 91.25 per cent. The remaining shares have been sold in the market

● **comment**  
The next direction in which EAT Group will seek to move has to be towards the future. It is certainly not rushing into spending the £14.7m proceeds from the rights issue in July.

Mr Tommaso TADDONIO, aged 56, joined Banque Sudameris as Executive Vice-President in December 1970 after a career spent entirely with Banca Commerciale Italiana in Italy which he joined in 1947.

30%

of material significance. The yield is a respectable 12 per cent.

yield is a respectable 12 per cent.

<p>The following committees have notified dates of board meetings to the Stock Exchange. Such meetings are usually held on the second or third of each month. Official indications are not available as to whether the dividends of the companies in the following divisions shown below are based mainly on last year's timetable.</p>		
<p><b>Interests—</b> Allied Irish Banks, Bank of Montreal, Bank, Chamberlain and Hill, Cadogan's Stores, Commercial Union Assurance Trust, London and Liverpool Trust, London Trust, Marks Investment Trust, Robert Jones, Mountview Estates, National Assurance Trust, Tase, Thomas Warrington.</p>		
<p><b>Finance—</b> General Stockholders Investment</p>		
<p><b>Trust, Waste Potatoes—</b></p>		
<p><b>FUTURE DATES</b></p>		
Interests	Nov 16	
Global Investment Trust	Nov 17	
Grain Transportation	Dec 7	
Groycost City Offices	Dec 7	
Investment Trust	Nov 17	
Investment Company	Nov 17	
Lip	Nov 17	
Security Assurance	Nov 17	
Security Assurance	Nov 17	
Scapa	Dec 1	
<p><b>Finance—</b></p>		
Barclay Property	Nov 22	
Castlefield (Kilham) Rubber Ent.	Nov 24	
Fife Oaks	Nov 24	
General (Rubber) Bldg. Syn.	Nov 24	
Saga Holidays	Nov 25	
Swedish Private Hospital	Nov 25	

	Current payment	Date of payment	Corre- sponding div.	Total last year	Total last year
Godfrey Davies .....	1.5	Jan 2	1.5*	—	2.5*
GEI Interl. ....	1.76	Jan 20	1.76	—	5.22
H&H Group .....	1.087	Feb 28	1.5	—	3
London Prudential Int.	2.25	Dec 22	2.25	—	5.5
Milbury .....	2.45	Feb 17	—	—	—
New Court Trust .....	8.8	Dec 31	—	12.75	13.5*
Scottish National Trust	2.7	Dec 31	2.5	3.9	3.65
Sketchley .....	4.1	Jan 2	3.6	—	12
Sonic .....	—	—	NII	—	0.5
Young & Co's .....	1.8	Dec 2	—	—	4.6

Dividends shown per share not except where otherwise stated.  
 \* Equivalent after allowing for scrip issue.      + On capital  
 increased by rights and/or acquisition issues.      + USM stock

incorporated in England under the Companies Act 1948 to 1967 no. 1163439

Philips & Drew  
120 Moorgate, London EC2M 6XP.

● **comment**  
The next direction in which EAT Group will seek to move has to be towards the future. It is certainly not rushing into spending the £14.7m proceeds from the rights issue in July.

In the United States premium income, including that of Milbank Insurance Company, was marginally lower in dollar terms compared with last year. The operating ratio was 116.1% (113.3%). The deterioration was mainly attributable to a substantial worsening in the workers compensation account and exceptionally heavy weather related losses in the third quarter, including \$6.1m arising from Hurricane Alicia. Whilst commercial multi-peril and automobile business losses continued at a very high level, some improvement is beginning to show through in these lines from remedial actions taken. The underlying trend in homeowners business is improving. Market conditions still remain highly competitive, but against the background of such an unsatisfactory result we are maintaining our firm stance on rating increases.

The deterioration in Royal Re's facultative and home foreign business continued and there was a worsening in the experience on the treaty account.

**Royal Insurance plc, Group Head Office, 1 Cornhill, London EC3V 3QR.**



## WMC CHAIRMAN'S ADDRESS TO SHAREHOLDERS AT THE ANNUAL GENERAL MEETING.



Sir Arvo Parbo, Chairman.

Addressing shareholders at the Annual General Meeting of Western Mining Corporation Limited in Perth on November 4, 1983, the Chairman Sir Arvo Parbo, said that in the past year production has been excellent. The cost of nickel sold had actually decreased. Gold operations increased substantially. However, the severe fall in the world price of nickel, plus the lower dividend from Alcoa of Australia and the higher exchange losses of loan repayments, regrettably combined to keep the net result down.

WMC's main operating activity remained the nickel business. The whole of Canada's nickel industry, which was the world's largest producer, had not lost for a large part of the year. WMC had, however, maintained its nickel operations. Whilst the general Australian rate of inflation had been 11.5%, in this period WMC had succeeded in increasing the cost of nickel sold, by 6.4%. Nickel sales had increased by 32%. Even with these two factors the nickel business was such that the operations ran at a loss for a part of the year.

Since then there had been a mild recovery and operations were no longer making a loss. Sir Arvo said that markets for nickel relied heavily on construction type activity. Gold: WMC had made use of opportunities to extend its gold

interests. The most important development had been the gold mining operations in the Kambalda-Kalgoorlie district where over a period of 3 years WMC had developed an operation of some 750,000 tonnes of ore per year, producing in excess of 100,000 ounces. A substantial search had been mounted for additional gold ore both in the Kambalda and Wodgina districts. The company had also acquired an interest in, and assumed management of, the Yallakool gold operation in Fiji and the area surrounding the mine. Gold exploration by WMC had continued including at Staveland in Victoria where treatment of open cut and underground development was expected to commence during 1984 to produce about 20,000 to 30,000 ounces a year.

Central Norseman Gold Corporation Limited in which WMC has a 50.48% interest, made a profit of 16.5 million dollars, an increase of 52% on the previous year. This was due to the higher price of gold, and partly, also to a favourable change in the US-Australian dollar exchange rate. WMC's third main revenue producing interest was a 50.5% shareholding in Alcoa of Australia, which operated two refineries in W.A. and expects to start a third at Wagerup in that State in 1984. Alcoa's profit for the first 9 months of 1983 was \$35 million, down from \$51 million for the corresponding period in 1982.

Exploration and New Projects: WMC owned 51% of the Olympic Dam project in South Australia, where work was continuing. The South Australian Government had

reaffirmed its support for the project and the Federal Cabinet had decided to support it. Recent exploration and development work had established within the mineralised area, a probable 450 million tonnes of higher grade ore, averaging 2.5% copper, 0.8 kg. tonne U<sub>308</sub>, 0.6 grams tonne gold and 6 grams tonne silver. Planning and feasibility investigations of the Yellie uranium project were completed, confirming that this project ranked amongst the best in the world in terms of the expected cost of production. However, since March this year, Federal Government discussions had been withdrawn. Coal: nickel work on the Kingston brown coal deposit in South Australia was completed. Its future development depended on that of the state's government decision regarding future electricity supplies. The project is wholly owned by WMC. Copper: Sir Arvo reported that WMC had discovered copper in the Throssell Ranges in Western Australia. Drilling had proven secondary mineralisation over a length of 1200 metres, mineable by open cut method which appeared to be of economic grade. Old: Following the purchase of Mesa Australia Limited, WMC now had a 40% interest in an offshore oil prospect south of Barrow Island in Western Australia. Three prospects had been drilled and had produced oil and gas flows. Three further wells were in progress.

Other Prospects: Sir Arvo said there were numerous other prospects under investigation by WMC, in Australia, Fiji and Brazil. WMC had no lack of opportunity for developing new operations and discovering additional deposits. The critical factors in turning these prospects into new and successful operations today were government attitudes, markets and world competitiveness. He said economic growth was the only basis on which Australia could hope to create more jobs and reverse the decline in its living standards. It should be a matter of concern to all governments, unions and the whole community. Outlook: Sir Arvo said that on present indications the financial result for the first half of 1983/84 could be somewhat better than the second half of the last year, but far short of being an adequate return on shareholders' funds of AS\$50 million. Achievement of adequate profitability in the near future depended on the nickel price returning to a more reasonable level, as well as on trends in Australian costs and our exchange rate.



154-305



### Malayan Banking Berhad

US \$60,000,000

Negotiable Floating Rate Dollar Certificates of Deposit due 1987 Tranche C

In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 17th November 1983 to 17th February 1984 has been established at 10% per cent per annum.

The interest payment date will be 17th February 1984. Payment, which will amount to US \$6,428.82 per Certificate, will be made against the relative Certificate.

Agent Bank

Bank of America International Limited

### Granville & Co. Limited

(formerly M. J. H. Nightingale &amp; Co. Limited)

27/28 Lovat Lane London EC3R 9EB Telephone 01-421 1211

#### Over-the-Counter Market

1982-83	Company	Price	Change	Gross Yield	P/E	Fully Paid
142	120	Ass. Ent. Ind. Bld.	125	—	6.4	7.3
156	117	Ass. Ent. Ind. CULS	123	—	10.9	7.5
77	57	Almington Group	77	—	0.1	7.5
46	31	Amalgam & Rhodes	28	—	—	22.0
242	243	Bardan Hill	240	+1	7.2	3.0
151	100	CCL 1100 Conv. Pref.	100	—	16.7	11.5
230	144	Cindico Group	144	—	2.7	12.3
84	77	Edison Services	52	—	6.8	11.5
158	75	Frank Horrell Pl. Ord	158	—	6.7	5.6
83	72	Frederick Parker	45	—	7.1	15.7
56	32	George Blair	32	—	—	2.4
100	52	Ind. Precision Castings	52	—	7.3	14.0
205	102	Isis Conv. Pref.	102	—	17.1	8.3
114	47	Jackson Group	106ad	—	4.5	4.2
237	111	James Burrough	207	—	11.4	5.5
102	111	Robert Jenkins	130	—	20.0	15.4
83	54	Scruttons "A"	86	—	2.7	5.6
167	89	Torrey & Carlisle	80	—	2.9	3.8
408	285	Trevian Holdings	400	—	—	4.2
29	17	Unilock Holdings	17	—	1.0	5.6
90	84	Walter Alexander	88	—	0.8	7.7
276	214	W. S. York	276	—	7.1	0.8

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## UK COMPANY NEWS

### MINING NEWS

## Sir James takes a cool view of metal prospects

BY KENNETH MARSTON, MINING EDITOR

ABOUT a year ago when world economic recovery seemed to be just around the corner the mining world was cheering up at the prospect of a strong revival in metal prices.

Sure enough, many of them did rise, but as the months passed and the economic recovery failed to spread from the consumer sector into capital goods the metal markets began to lose heart.

Many prices are lower today, especially copper, but the signs are that the full economic recovery will still develop. The difference is that most observers now expect it to be a gradual affair and are not looking for any miracles in the metal markets.

This mood of realism is reflected in the remarks made at the Brisbane meeting of Australia's MIM Holdings by Sir James Foots who is now stepping down from the chairmanship. He will remain as deputy chairman while Mr B. D. Watson moves up to become chairman and chief executive officer.

Sir James saw no definite sign of the ending of the prolonged period of low world metal prices. He said that the world mining industry in the 1960s and 1970s had been prepared for economic growth rates which had not eventuated. There was thus excess productive capacity.

Even with the short-term outlook improving as the world economy struggles out of recession,

Some welcome good news comes from Canada's Inco in the announcement at a first order worth over \$50m (\$23.7m) to supply Canadian nickel oxide to Talent Metal Corporation's new reduction plant in Taiwan. The order calls for delivery by 1986 of about 10,000 tonnes of nickel oxide and is part of a 10-year contract.

The new \$8m Taiwan plant, due to be completed in March next year, will produce mainly utility nickel pig—a charged nickel product specifically designed for use in arc furnaces—with sufficient annual capacity of about 7,000 tonnes of metal to meet Taiwan's nickel requirements for its growing stainless steel and nickel sulphate industries.

Inco is supplying the project with process and engineering technology and has acquired a 20 per cent stake in Talent Metal in return for its services.

Abdoun, Wk Nigel's chairman, circulated this report to all shareholders last week, and promised that a rebuttal in the form of the Heever report would be sent as soon as possible.

The principal conclusion of the Heever report is that there are not sufficient ore reserves to support the massive expansion in mining operations envisaged by the George group.

The report also concludes that the present management of Wk Nigel is not the right lines with a much more gradual expansion of the gold price permits, and that the proposals of the George group are untenable.

Further, the report stresses the fact that Wk Nigel has traditionally expanded as conditions permitted, financing all of its growth from profits and the funds available through the state assistance scheme rather

than calling on shareholders to put up the money. The George group envisages financing the estimated \$25m (\$14.4m) capital expenditure over the next 30 months entirely through the issue of new shares. The shares closed 14p higher at 178p in London yesterday.

The construction costs of the new mill are estimated at \$320m, with the Quebec Government putting up 20 per cent. Kiena has also committed itself to a \$310m programme to develop its mine over the next three years.

A preliminary exploration programme has outlined four previously undiscovered mineralised zones just south of the Devon "A" mine in the Mount Margaret area of Western Australia, according to Kiena North West, part of the Griffin group.

Drill indicated reserves at the mine itself are some 250,000 tonnes of ore at an average grade of 14 grammes per tonne down to a vertical depth of 100m, with the mineralisation open at depth and to the south.

Kiena is also starting a programme of diamond drilling at Mighty Splash, elsewhere in the Mt Margaret area, where it can earn a 75 per cent interest.

Investment trust Scottish National Trust moved ahead from net revenue of £2.48m to £2.79m in the year to September 30 1983, equivalent to a rise per share of 0.45p to 4.31p.

The year's dividend is being lifted by 0.25p to 3.9p net with a final of 2.7p (2.5p). Net asset value per share prior charges deducted at par are given as 22.5p (19.9p).

Gross revenue amounted to £5.21m (£5.11m) and tax accounted for £1.45m (£1.26m). At the half-way stage net revenue had risen from £1.13m to £1.16m.

## A glister of Irish gold

SOME interesting gold values are reported by Anglo United Development from latest drilling at its Irish prospects in County Monaghan. The first hole at the old Clontarf mine area, CL83-1, was drilled to a depth of 771 ft and showed 11 intersections with gold values.

They included 0.18 oz gold (4.98 grammes) per short tonne over 2.5 ft of mineralisation from 141.4 ft to 143.6 ft; 0.05 oz over 9.7 ft from 200.5 ft; 0.11 oz over 3.6 ft from 263.4 ft; and 0.11 oz over 4.1 ft from 424.4 ft.

A second hole found little gold but a third, CL83-2, now being drilled at a point 200 ft north of CL83-1 has reached a depth



of 350 ft. It has cut 20.3 ft grading 0.08 oz from 220.7 ft, including a length of 0.5 ft grading 0.2 oz from 282.5 ft. The hole is to be drilled to 750 ft.

Significant gold values are also reported from a programme of trenching and drilling in the St Mary's Creamery area, 2,500 ft 3,000 ft north-north-east of Tullybuck.

A gold potential was indicated by underground drilling in 1966-67 at the old Clontarf mine which was worked on a small scale for antimony during World War I.

The latest gold values obtained could be payable in a shallow mining operation, but the question is how much ore is present and only further drilling can answer that.

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	1983	1982
Rental income	£7000	£7000
Profit before tax	3,424	3,193
Fixed assets	78,943	81,152
Net assets	60,487	64,166
Net assets per 10p share	373p	396p
Gross dividend for the year	42.9%	34.3%

Report and accounts available from The Secretary,  
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Mr James B Leslie  
Qantas Airways Ltd

Mr Raghu Raj  
Air India

Mr Duncan R Y Bluck  
Cathay Pacific Airways Ltd

- Workable competition in the region; yield improvement
- Financing air transport
- Maintenance: how to keep the business in the region

Mr Hideo Mitsuhashi  
Secretary-General

Orient Airlines Association

Mr Knut Hammarskjold  
Director General  
IATA

Mr Philip M Condit  
Boeing Commercial Airplane Company

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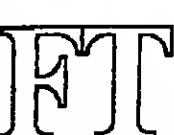
#### Date and Venue:

16 and 17 January, 1984. Shangri-La Hotel, Singapore

The conference precedes the major Second Aerospace Exhibition at Changi International Airport being organised by IITF Pte Ltd., a subsidiary of Industrial and Trade Fairs International Ltd of the UK.

## Aviation in Asia and the Pacific Basin

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## FINANCIAL TIMES SURVEY

Wednesday November 16 1983

## Botswana

A HUNDRED years ago Britain hesitated to assume imperial responsibility for the Tswana tribes beyond the Transvaal Republic. "Bechuanaland is of no value to us," argued Mr Gladstone's colonial secretary. "It is of no consequence to us whether Beers or native chiefs are in possession."

Bechuanaland is today Botswana and has become something of a model African state. It is one of the world's leading producers of diamonds and has high hopes of other mineral riches. Its government is democratic, modest, competent, realistic and favoured by the international community. The problem—now as then—is the "Beers" or, more precisely, the relationship with South Africa. Of all the African "front line states," Botswana's position is the most delicate. The other former British High Commission territories, Lesotho and Swaziland, are essentially client-states of South Africa. Zimbabwe and Mozambique, on the other hand, have the size, the population, and the alternative international access to be certain of a real autonomy. Botswana comes somewhere in between, and its government and people are pragmatic enough to understand the difficulty of their situation.

No one should doubt Botswana's denigration of South Africa's racial policies—but there can be no forgetting that the border post is just a few miles from the capital, Gaborone. The national economy is deeply integrated into the regional structures that are dominated by, and usually administered by, South Africa. The businessmen usually operate with an ear to their colleagues in Johannesburg.

Botswana refuses to be a member of the Rand Monetary Area (unlike Swaziland and Lesotho) but inevitably imports her inflation rate from the south. Though often exasperated, Botswana is a member of the Southern African Customs Union (and so her exports are counted in South Africa's trade statistics) and SAGU is

The country's delicate relationship with neighbouring South Africa creates a number of dilemmas. A well-considered programme to increase industrial development and improve agriculture is being pursued, against the background of a need to find more jobs

## Diamonds and democracy

Survey written by J. D. F. Jones and Michael Holman

The Government's principal source of revenue. Symbolically, there are no formal diplomatic relations between Gaborone and Pretoria but there is direct-dialling and "telephone diplomacy," the sensible and necessary solution to many problems. Gaborone is the headquarters of the Southern African Development Co-ordination Conference (SADCC)—whose aim is to lessen the economic dependence on South Africa of the independent states of the region—but ministers and officials usually have to fly in and out via Johannesburg.

## Route

But the most difficult part of this reluctant relationship is the security aspect. The difficulties have recently been getting greater. Botswana, with its enormous land area, its tiny population, and its unmanageable frontiers, is an obvious route for those who wish to leave South Africa without Government permission. Similarly, one assumes, a territory from which people might try to re-enter the Republic.

Botswana is passionately committed to its role as a haven for refugees. The South African Government constantly warns that it will not permit the frontier neighbouring territories to be used as a launching pad for military activities by organisations such as the African National Congress

(ANC). Recently, Lesotho, Mozambique and Swaziland have come under heavy pressure from Pretoria, military, diplomatic or commercial, so as to underline this insistence. More generally, the states of the region all believe that South Africa is practising a policy of "destabilisation," with a view to warning them, frightening them, and weakening them by such tactics as the encouragement of internal dissidence.

It is arguable that Botswana has suffered less from "destabilisation" than any of its colleagues (though, correctly, senior officials point out that Botswana is also damaged by such things as the disruption of rail communications in Mozambique). This is true at present, and probably a comment on the skill with which Botswana has walked the tightrope of rejecting South Africa's policies and yet not provoking that country's response.

Recently, the trick has become more difficult. South African ministers appear to be developing a sort of Monroe Doctrine in Southern Africa, hardening up their attitude to the ANC by issuing warnings which appear to mean that the republic is no longer going to tolerate even an ANC presence or ANC affiliates, as opposed to the ANC military bases, which have previously been forbidden.

This is going to put Botswana in a dilemma. "We don't harbour any ANC here," President Quett Masire told me in an

interview. "But we do have a refugee open-door policy... refugees come and are welcome, but are encouraged by us to pass on to other countries."

While in Botswana, he explained, they are not allowed to attack their home country, even verbally let alone physically. The new South African statement said the president was an alarming development "because we are the first country for the refugees and we can only push them beyond Botswana if there are countries willing to take them."

In all this, President Masire was referring not only to South Africa but also to another neighbour, Zimbabwe, with which he described the latest situation as "rather worrying." The problem is more urgent because, as a result of the unsettled situation in Zimbabwe, "dissidents" are still crossing over into Botswana.

The Government response is to put them into Dukwe on the assumption that if they are genuine refugees they will stay there, whereas, if they are discovered to be using Botswana merely for a military withdrawal, they are sent back across the border.

The snag is that the Zimbabwe Government, or perhaps its army commanders on the spot, are not satisfied that the Botswana authorities are sending back enough "dissidents" so there has been a series of trans-border in-

cidents in which the Zimbabwe Army units have crossed over to do their own round-up.

There is obviously a serious danger that this will lead to a major incident between the Zimbabwe Defence Force (originally formed in the days of the Rhodesian civil war to protect this same frontier against Mr Ian Smith's soldiers) which would put an intolerable strain on the ostensibly cordial relations between President Masire and Mr Robert Mugabe.

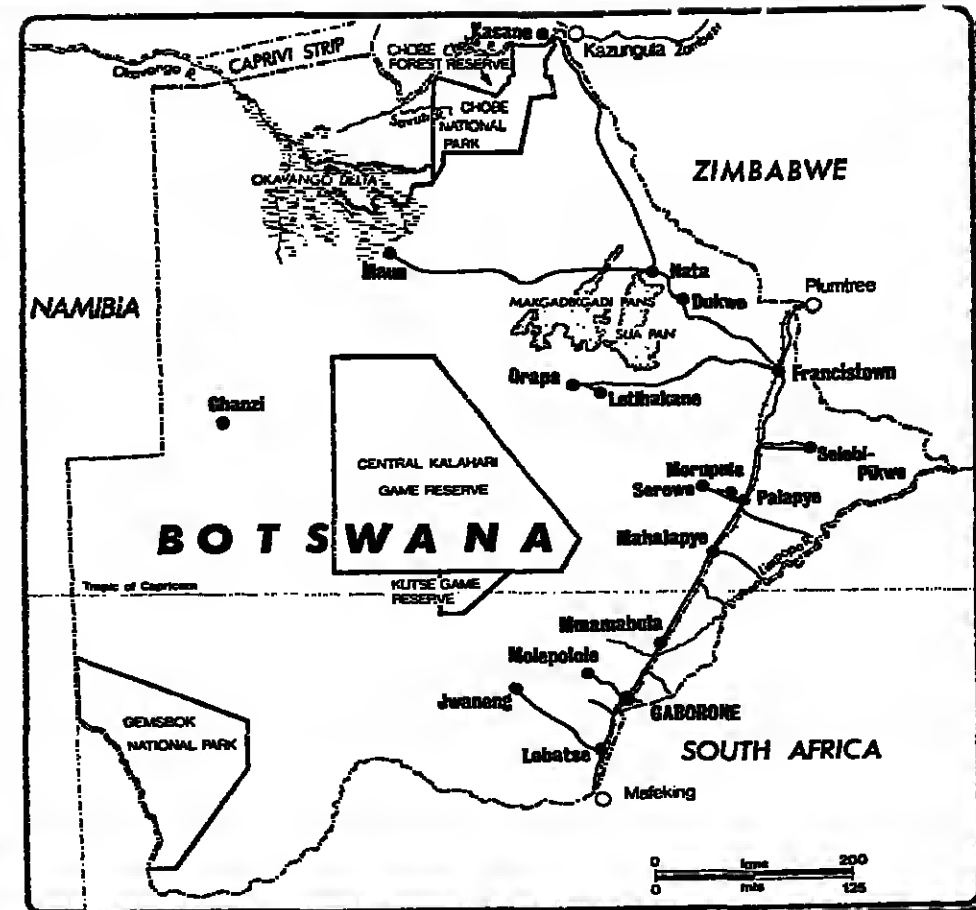
Presumably, this eastern problem will recede, if and when the Zimbabwe security situation improves, but the delicacy of the South African border is going to remain indefinitely as it must be assumed that the ANC will persist with its policy of infiltrating its men into the republic from one or other of the neighbouring territories.

As the Botswana Government is all too aware, impatience in Pretoria could easily lead to rearmament—military or commercial—against which Botswana would be powerless to defend itself. The new Defence Force, about 3,000 strong, cannot be more than a trip-wire, for all its new equipment and its Indian (and British) training. Botswana, like Lesotho, has suffered from South African interference with the passage of arms supplies across its territory.

## Attitudes

In other areas, South African attitudes continue to be vitally important. Botswana has, of course, benefited greatly from the decision of De Beers to maximise its diamond operations. On the other hand, it will be an important test case to see how Pretoria chooses between two rival and major soda-ash projects, one of them in Botswana, the other in South Africa.

Obviously, Botswana's attempts to develop its own industrial sector tend to compete with similar policies inside South Africa, where the incentives on offer



are greater than Botswana can provide.

Botswana's trump card is, or could be, that it offers a base for export to the rest of black Africa, and to the EEC, as well as to the South African market.

These efforts are important because a combination of international recession, regional drought, and a very high birth-rate have created economic difficulties—discussed in the rest of this survey—of which the most serious is undoubtedly the inability to create enough new jobs, either in the towns or in the vulnerable agricultural sector. President Masire says of the unemployment problem: "This is the one question that has bedevilled us."

In many countries one might expect a problem like this to translate into domestic political tensions, but this does not appear to have happened as yet. Botswana is one of Africa's few multi-party democracies, and an election is coming up—"some time next year," the President promises, keeping the timing to

himself—but the majority dominance of the ruling Botswana Democratic Party is beyond realistic challenge.

There is no great sense of visible and vociferous debate in Botswana, that may be the character of the Botswana and also a reference to the system of tribal consultation, rather than any national indifference. One bears talk of the President's decision to appoint "another Southerner," the Finance Minister, Mr Peter Mmusi, as Vice-president this year, rather than a member of the leading Bamangwato tribe (who provided the revered founding President, Sir Seretse Khama).

Other observers suggest that any political flames are more likely to be fuelled by the generation factor—that is, by the impatience of younger men to move up into the limited number of positions of power and influence.

J.D.F.J.

## BASIC STATISTICS

Population:	1m
Area:	582,000 sq km
GDP:	Pula 775m (1980-81)
Trade (1982):	Imports—P680m
	Exports—P440m
Currency:	Pula
	£1=Pula 1.66
	\$=Pula 1.11

Botswana is a member of the Southern Africa Customs Union

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## BOTSWANA II

## Economy: aim is to build jobs on mineral wealth

IF BOTSWANA'S economic well-being were judged solely by conventional yardsticks, the country is riding the blows of drought and depressed mineral prices remarkably well. Reserves stand at an all-time high, the debt service ratio is in single figures, the balance of payments will be in comfortable surplus this year, foreign exchange restrictions are virtually non-existent, and the country's overall credit rating is probably among the top three in Africa.

It is largely the result of the prudent financial management that has characterised the government's handling of a transition from an impoverished cattle-dependent economy at independence in 1966 to one of the world's major diamond producers with further untapped mineral potential.

Yet, as two major government reports themselves acknowledge, behind these rosy statistics is a vulnerable economy faced with problems which, despite the administration's efforts, are growing rather than receding.

The rigours of the two-year drought aside, even normal rainfall can barely sustain the country's 80,000 small farmers and their families—75 per cent of the population—who scratch a living from the land. Yet if

the land cannot provide a reasonable living for Botswana's 1m citizens (whose numbers will double in 30 years as a result of a worrying 3.3 per cent annual population increase), there are limited opportunities in Botswana's industrial and manufacturing sectors for the 12-13,000 work seekers who come on to the market each year.

Few of these school leavers have anything more than seven years' primary education, leaving the country desperately short of skilled manpower—one of the greatest development constraints the country faces.

## Precarious

Thus the difficulties posed by rising unemployment, a drift to the towns to third of the population will be urban by 1991, compared to under 10 per cent at independence) and a precarious agricultural sector, tend to outweigh the uncertain prospects for further mineral development.

But whatever grounds for concern exist about medium-term prospects, the short-term picture is considerably brighter than some two years ago, when the remarkably high and steady post-independence growth came to an abrupt halt. The combination of the slump in the diamond market and the drought

saw GDP fall 5.3 per cent in 1981-82.

The dramatic results of previous years had been due largely to a single factor—diamonds. First Orapa, then Letlhakane and finally a further lucrative find at Jwaneng turned Botswana into one of the world's major producers. Diamond exports more than doubled between 1978 and 1979, and rose a further 25 per cent in 1980 to P237m, or 61 per cent of total foreign exchange earnings.

The reversal of fortunes was equally dramatic. The depressed diamond market caused a 43 per cent fall in sales in 1981 over 1980, while prices for nickel and copper matte from Botswana's struggling Selebi-Phikwe mine remained at record lows.

In the following months the drought, which took hold in 1982, forced crop production down from 52,000 tons in 1981 to 15,000 tons last year and fallowed further to under 10,000 tons this year—far short of the country's 130,000 ton annual demand for marketed cereals.

Then, in the course of the year, exports received a massive boost. The Jwaneng diamond mine came on stream, and the market picked up towards the end of 1982. The net result was an overall balance of payments surplus of P57m at the end of 1982, turning round the deficit of P61m in 1981.

This year, according to the latest official revisions, is likely to see a surplus of nearly P60m, in part a reflection of higher mineral sales (diamonds in 1983 will bring in P435m, accounting for two-thirds of total exports of P663m), but also the consequences of a slump in the construction industry—hard hit by a water shortage—which in turn has reduced imports.

Assuming the drought breaks and the diamond market holds, says the Governor of the central bank, Mr Charles Kikonyogo, a balance of payments surplus of P100m next year "is not out of reach." In the meantime, reserves stand at P440m, nearly six months import cover, while the debt service will not exceed 5.3 per cent next year—up from the 2.5 per cent of the early 1980s as first repayments of a US\$30m Euro-market loan negotiated in 1978 but not drawn until last year take place.

It is from this comparatively comfortable position that government is embarking on a major assessment of development options for the years to come.

The basic issues are set out in two major reports: ● A Mid-term Review of the Fifth National Development Plan 1979-85, which also looks ahead to the priorities for the sixth plan; ● The report of the Presidential Commission on Economic Opportunities, published in May 1982, and the subject of a White Paper released at the end of last year.

A single issue is to be selected from the Review and the Presidential Commission, it is the problem of the rising population with which job creation cannot keep pace, allied with the shortage in skilled manpower. Despite an increase of nearly 10 per cent a year over the 1970s in job openings in the formal sector (much higher than most African countries), demand outstrips supply.

## Hawking

The labour force is growing reports the commission, by 12-13,000 a year, while formal job creation has been 5,000 a year over the past five years. "Even taking an optimistic view, it is very unlikely that the formal sector will employ even half of the national labour force before the turn of the century." The rest must find work either in what is known as the informal sector (self-created jobs such as vegetable hawking, shoe repair, carpentry and so on), or on the land.

Yet the Mid-Term Review has a bleak assessment of progress in the crucial agricultural sector, where the Arable Lands Development Programme (ALDP) discussed elsewhere in this survey) is the mainstay of government policy.

The Review points out that "there has been a downward trend in real agricultural output since the mid-1970s, in spite of the fact that the period under

review ends in the relatively good rainfall year of 1980-81, not in the drought season of 1981-82 or 1982-83."

ALDEP itself was only initiated in 1980-81, but the presidential commission concludes that early evaluation reports suggest that the programme "has fallen far short of what was planned. If ALDEP does not live up to expectations," the commission warns, "the social, economic and political consequences will be far reaching."

Nor does Botswana's traditional mainstay in the rural areas, tending the 3m strong national cattle herd, offer much comfort. Access to the European Economic Community has boosted beef exports to an all-time high of P87m last year, but the sector has two problems.

## Overgrazing

Ownership is highly skewed and becoming more so (estimates suggest that half the national herd is owned by 5 per cent of households), and there is serious overgrazing in many parts of the country. It should be said, however, that the government is well aware of these and other problems, such as the need to give water development a much higher priority. Vocational and technical training, for example, will get a greater share of the education allocation.

It is too early to judge the long-term impact of Government's major response to the unemployment problem, set out under the Financial Assistance Policy (discussed in more detail elsewhere). The programme has been under way only since May last year, though in that time more than 1,000 jobs have been created. It is the product of nearly two years of debate about the best way to meet two objectives: the creation of jobs at a faster rate than hitherto, and the diversification of the country's economic base.

But as the White Paper on the subject notes: "Simply establishing this programme will not solve our economic problems, nor will it diversify the economy. It is only one element of our economic policy."

Yet given the difficulties in agriculture, and limited prospects for expansion of industry and manufacturing (despite improved incentives, it is difficult for Botswana to match terms offered in South Africa), opportunities for school leavers are likely to fall well short of demand.

Hopes for future development are concentrated at present on two projects: realisation of Botswana's hope of becoming a leading coal producer, with annual exports of 5m tons or more, and exploitation of soda ash deposits at a rate of some 450,000 tons a year.

Yet, even if these two projects come off, the government faces a decade fundamentally different from the mineral-led development of the past 10 years.

The results of the diamond finds have been ploughed back into an infrastructure and social services largely lacking at independence. The next decade will require from the government a different kind of investment of mineral revenue outside the government sector. The critical yardstick of success will be the administration's capacity to find jobs for its growing population.

M.H.

## National Plan misses forecast

WHEN Botswana launched its Fifth National Development Plan, for 1979-85, it set the overall target at 10.1 per cent average annual growth in real GDP. However, two factors intervened over which Botswana had no control: two successive years of drought, and a depressed diamond market.

The net effect, points out the Government's Mid-Term Review of the Plan, was a half in real GDP growth in 1980-81 and a 5.3 per cent decline in 1981-82. In the longer term, the GDP outcome for the final years of the plan is likely to be under even the planners' forecasts based on "conservative" rather than optimistic mineral growth projections.

Looking at future development strategy, the Review stresses: "The development of further large mining prospects offer the realistic possibility that high rates of GDP growth, such as those experienced since independence, can be continued in the future."

Hopes in this area are pinned on coal and soda ash projects. But in the meantime the Review stresses the importance of two constraints on future development.

M.H.

## CENTRAL CURRENT ACCOUNTS

	1975-76	1976-77	1980-81	1981-82	1982-83	1983-84
REVENUE						
Customs and Excise	25	16	102	104	115	158
Mineral revenues	23	17	101	77	100	139
Other income taxes	13	14	38	42	53	71
Other taxes	2	2	3	4	5	10
Non-tax revenue	16	22	25	26	34	38
Grants	8	16	38	40	38	37
Total revenue	87	87	307	323	365	453

Source: Bank of Botswana Annual Report 1982.



President Quett Masire and (right) Mr. Peter Mmusi, Minister of Finance and Development Planning; they have faced the most serious economic challenge since independence.

## Major projects progress

A CLUTCH of major development projects are in progress in Botswana—funded by the new Government revenues and by international aid—which will transform the country's infrastructure.

● All contracts have been let and construction has started on the P220m 80 MW new power station, near the existing coal field at Moropula. It is scheduled for completion in early 1986 and will be dry-cooled.

In the meantime, a part of Botswana's response to the serious drought has been to purchase its electric power from South Africa's Eskom grid. An international funding programme has been led by the World Bank. The turbines are being built by NEI Parsons.

● The new Gaborone Airport is taking shape and is due for completion in mid-1985. The control tower was topped-out last month. Sir Alfred McAlpine have the runway contract, and Kier Botswana the building work.

Air Botswana is re-organising its fleet and will have two Fokker F27s and a Dornier.

## Impetus

● The drought has given an extra impetus to the raising of the wall of the Gaborone Dam with the help of the World Bank.

The dam was originally designed to meet the needs of 20,000 people, but Gaborone is now 60,000 strong and its population is estimated to grow to 120,000. Additional sources of water supply for the capital are being urgently investigated and developed.

● Cable and Wireless is overseeing the development of the telecommunications system P55m is to be spent, with a main contract of P25m.

● Botswana's takeover of the main north-south railway through the country (which has so far been run by Zimbabwe) is proceeding on schedule. Much of the line has to be re-laid. Chinese advisors will handle the southern section; the Zimbabwean government is responsible for most of the training; and the locomotives will come from West Germany. Transfer is scheduled for end-1986.

● Of the main north-south road, only about 100 kilometres remain to be paved in the far north, and this should be finished by next March.

J.D.F.J.

The BOTSWANA VACCINE INSTITUTE in Gaborone, Botswana, is pleased to announce completion of its fifth successful year of production of foot-and-mouth disease vaccine of the S.A.T. (Southern African Territories) types.

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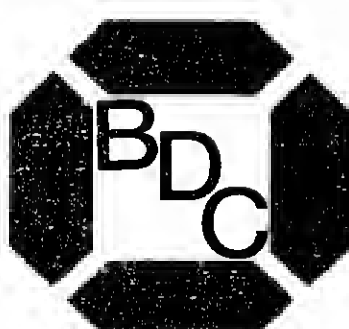
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Director of BP Botswana Ltd. and  
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## BOTSWANA III

Tourism: extraordinary country remote from the 20th century

## Seeking the wilderness

FIRST, YOU get yourself to Johannesburg. Next, you fly to Gaborone (about one hour) and on to Maun (nearly two hours). Then you transfer to something small and fly over desert and bush for another hour or so, depending on whether you are destined for dry land or swamp.

By the time you land you are tired—maybe dead-beat—but you are in the very heart of the real African wilderness. Indeed, you could hardly find anywhere on earth so remote from town and hassle and the 20th century.

It is certain to be extraordinarily beautiful. And yes, the bush is teeming with wild life on a scale surely unmatched elsewhere in Africa. But there is no hardship. The game warden is welcoming and courteous, the showers are hot, the beer is cold, the wine is chambré, the food is simple but good, and the mattresses are sprung. You sleep like a child, woken only by the lions or, eventually, by the African dawn.

This is the image which Botswana wants to project of its tourist industry. It is a reality which it can already deliver, as many Europeans and Americans and South African visitors will happily confirm.

It sounds, and is, expensive: there is no evading the fact that a trip to Northern Botswana is an "up-market" exercise. That is the way it is going to stay because the Botswana Government, however anxious it may be to develop its tourist market, is very sensibly aware that encouragement of a large number of visitors would risk alienating the "quality" trade which it is now able to command. Botswana is not intending to become another Kenya.

Botswana's scenery is extraordinary: wonderful wild life; enormous empty spaces; the meeting of the savannah plains and the unique Okavango Delta; the desolate and fascinating Kalahari Desert. But the scale of the tourist potential must be put in perspective. The newly appointed senior tourism officer, Mr Ian Dixon (late of Zimbabwe), reckons that after excluding the peripatetic businessmen, the "real" tourist arrivals at present total about 10,000 a year.

He describes the present situation as "a reasonably well-established, high-income, low-volume traffic," bringing in about P7m-P8m a year to add to the estimated P7m that is brought in by the hunting industry.

Hunting is a separate subject.

Botswana is one of the few remaining countries where the international hunter can indulge his killer instincts, and has about 25 companies to help him, but it will cost him an extremely large sum of money. In the long run the hunting traffic is probably under challenge, as it has been elsewhere.

Tourism in Botswana means the North. Elsewhere, for instance in the Central Kalahari, the desert may be intriguing but the tracks are too poor and water and supplies so difficult that only the committed "bush basher" will venture there with his Land-Rover and tent. Some people want to encourage a Kalahari circuit, but it can never be big business.

## Game territory

But the North is extraordinarily different. The great attraction is the colossal Okavango Delta, where the waters of the Angola highlands spill down into the desert and create enormous areas of swamp and island. Immediately east, however, the Delta merges into the superb game territory of Moremi, Savuti and Chobe, which eventually extend into Zimbabwe's Wankie and Victoria Falls.

Botswana can therefore offer excellent game and also a unique water terrain (or, if you prefer, hunting and also fishing) on a scale scarcely available any more in Africa.

In developing all this, the dilemma for the policymakers is to keep a sensible balance. They do not want to encourage the tourist hordes (even if transport costs over such distances were surmountable) because they do not want to risk frightening away the existing well-heeled clientele.

What they have to offer, and to sell, is a unique access to the wilderness—and that, by definition, cannot become a mass experience. Indeed, even if Botswana were to

decide to aim for maximum revenue from its wild life, sheer distance and inaccessibility would defeat the intention.

There are at present 333 tourist beds per night available in the northern areas; a figure expected to rise to 770 by 1987. In addition, there are reckoned to be 178 "mobile" beds (which refers to travelling tours) which may rise to 322 in 1987.

Obviously, the length of the season is as important as the number of beds: at present "high season" is July-October, but there is a clear trend which shows a widening of the season towards 10 months or more. (Heat, rainfall and the height of the Delta waters are all factors.) Many of the camps (which are all small) can claim 100 per cent occupancy in the peak season and most of them close for 2-4 months.

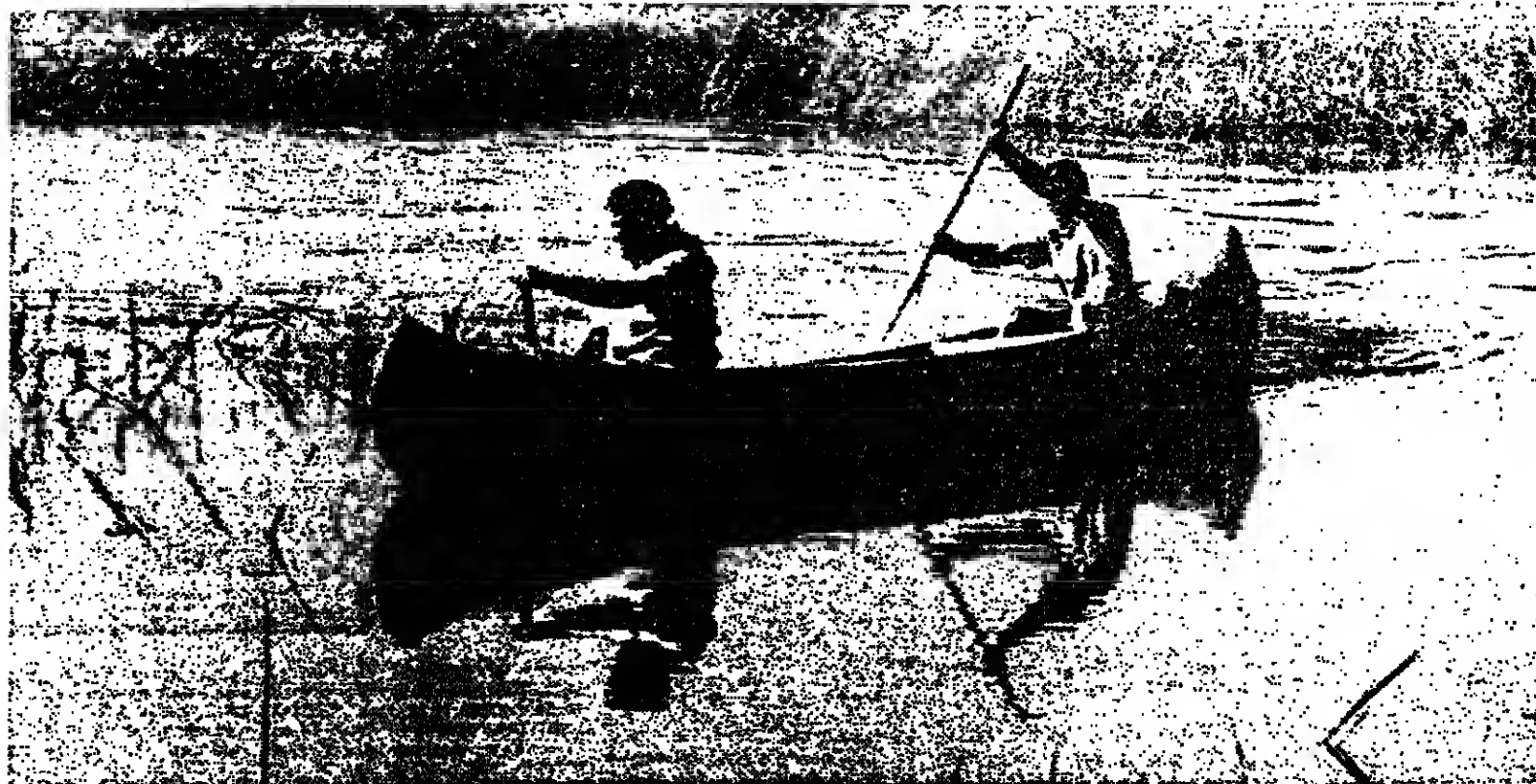
In the north there are about ten camps inside the Delta proper (i.e. able to specialise in game and bird safaris by canoe). There are five luxury camps run by Gametrackers (now government-owned via the Botswana Development Corporation) in the middle area on the edge of Moremi and the Chobe Lodge which will reopen under new ownership next month after several years' sabbatical.

Air Botswana (also government-owned through the BDC) is the feeder service to the frontier town of Maun, where the BDC is engaged in improving the local hotel. Gametrackers reckon it divides its custom mainly between American, German and South African tourists, with a balance from the rest of Europe.

You pay your money and you take your choice. If you can find a Land-Rover, the expedition (from South Africa or Zimbabwe) up to Francistown and on beyond Maun will be rough and tough and very long and affordable and unforgettable.

If you prefer the comfort offered by someone like Gametrackers, it will cost you about P200 a day on top of your air fare to Maun. Either way, it will be worth every penny, for the simple reason that it is a unique corner of a fast-vanishing Africa.

J.D.F.



Exploring the Okavango Delta. Tourism in Botswana offers something that cannot be a mass experience.

## Relaxed and welcoming capital

## Lifestyle

The capital, Gaborone, is still very small so that it is often possible to walk from one appointment to the next. The Botswana, and also the expatriate officials, tend to be welcoming and informal; appointments are easily made, even at short notice.

Lifestyle is relaxed and modest. Only senior businessmen, some politicians and some diplomats might bother to wear suits, and safari shirts or light-weight jackets are entirely acceptable—and sensible.

The climate is, of course, hot and dry. The rainy season, when it comes, is October-April.

## Hotels

Gaborone's main hotels for the visitor are the Holiday Inn and the President. The choice is a difficult one because the President, in the centre of town, is in some ways the better hotel (eg the food), but the Holiday Inn, on the outskirts, has a swimming pool, a large garden, and a casino and floor show. Whichever one you favour, book in advance.

The best hotel in Francistown is the Marang Hotel. Some of the tourist camps in the north

achieve remarkably high standards, considering their remoteness, but elsewhere expectations should not be pitched too high.

Botswana beef is good. South African wines are available without embarrassment, as are many other products from the republic. The beer is the local version of the South African labels.

## Embassies

Embassies are maintained by Britain, the U.S., USSR, China, West Germany, Nigeria, Sweden and Libya, and consulates by Holland and Denmark.

Gaborone is the headquarters of the secretariat of the Southern African Development Co-ordination Conference (SADCC).

## Recreation

Distances are enormous (Botswana is the size of France with a population of scarcely one million). The weekend in Gaborone can be quiet, so the visitor might be wise to arrange to travel out of town. Best of all, fly up to Maun and on into the Okavango Delta or the Moremi or Chobe game reserves.

Nearer home, the flat wastes of the Central Kalahari have

their own fascination, so drive out to the Khutse Reserve—but you will need a four-wheel drive vehicle and local advice because facilities are non-existent.

The government-owned Botswana craft shops are some of the best in Africa. They specialise in superb palm-leaf baskets. Or consider the tapestry and weaving from Odi, just north of Gaborone.

## What to read

Books to read include: The excellent "Guide to Botswana" by Alec Campbell, available locally. "Barclays Bank, Botswana: an Economic Survey and Businessman's Guide" (1982). "Papers on the Economy of Botswana", ed. Charles Harvey (Heinemann, 1981).

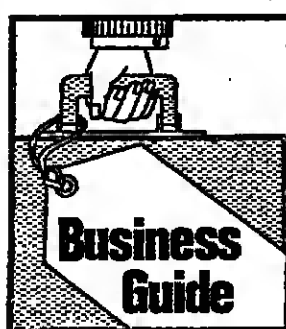
"The Political Economy of Botswana", by Colclough and McCarthy (OUP, 1980). "The Last Wilderness" by Nicholas Luard (Hamish Hamilton, 1981) (and various superbly illustrated books about the environment and wildlife). There is a good bookshop in the Gaborone Mall.

The National Museum in Gaborone is well worth a visit. Botswana is one of the most

racially-relaxed countries in Africa. There are next-to-no visible tensions.

## Independence

Botswana, formerly the Bechuanaland Protectorate, became independent in 1966 and is a member of the Commonwealth. The first president, Sir Seretse Khama (below), died in 1980 and was succeeded by Dr Quett Masire.



## Names

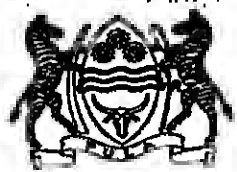
THE COUNTRY is Botswana. The people are the Batswana. An individual is a Motswana. The language is Setswana—and the official language is English.

## Connections

Most visitors arrive via Johannesburg and South Africa, although there are direct flights from Harare and also the railway from Zimbabwe. Visas are not required of Commonwealth citizens or South Africans.

Vaccination certificates are not normally necessary, but remember to take malaria tablets if you are going north to the Okavango Delta.

Internally, Air Botswana flies between Gaborone, Francistown, Maun and Selebi-Phikwe.



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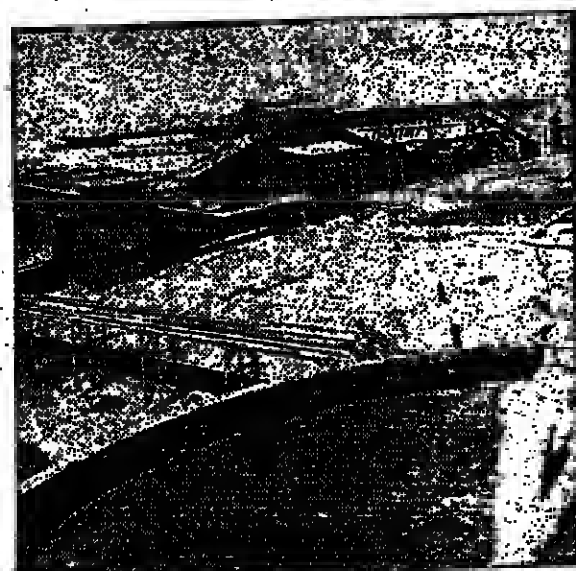
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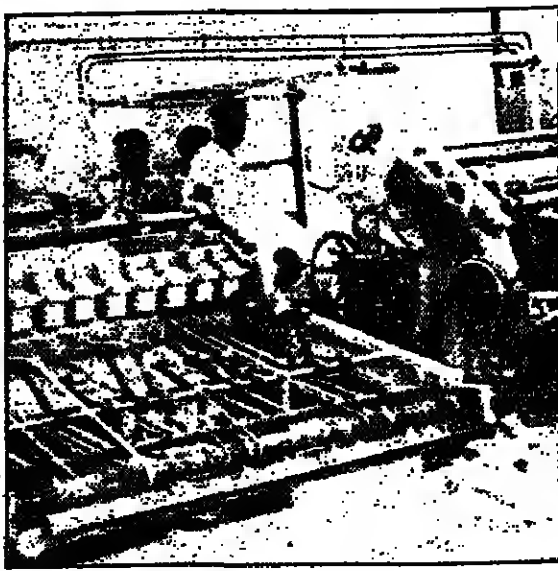
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Orapa—one of Botswana's three diamond mines



A modern packaging materials plant in Gaborone



Examples of Botswana's plentiful wildlife in the unique Okavango



## BOTSWANA IV

The most promising prospects need time to develop

## Minerals: keeping a sense of proportion

THE BOTSWANA economy — said the expatriate adviser in Gaborone — is like the python swallowing the duiker: it takes an enormous gulp and then spends ages digesting its find. The diamonds have been the duiker, but there is no sign of another feast in the near future.

This is a useful warning to keep a sense of proportion. Diamonds have been the transformation of Botswana and also have posed all sorts of digestion problems. It has been easy to speculate about the next big find, especially after the 1970s geological surveys suggested there were plenty more treasures under the Kalahari sands. Life is not so kind, and even the most promising prospects are going to take some time to come right.

The best, and best-known, hope is coal. There is no doubt that Botswana possesses great reserves of medium-quality coal which, if the world market were not in such recession at present, would justify ambitious government and corporate export projections. But the Botswana coalfields are buried in the depths of Central Africa and the problem is not the mining but, since local demand is fractional, the transport to the sea at a price which would still allow the coal to be internationally competitive.

Five international companies are active: Shell Coal, BP, Charbonnages de France, Amax and Total. Shell is far in the lead, having been there since 1974. It is involved in the area near Morupule, where Anglo American mines about 400,000 tons a year. The Kgawwe deposit with its three seams is estimated to contain at least 300m tons of internationally saleable coal. Further south, at Mmamabula,

Charbonnages de France has a joint venture with Amax (and is having tests done in Pretoria at this moment). BP has just extended its prospecting licence for two years and Total is exploring north of Shell. German companies have dropped out. But Shell has been making the running and signed a joint venture with the Botswana Government in mid-1982. The two parties thereby have two years to complete feasibility studies and then 12 months to decide whether or not to go ahead with a project which is variously estimated to promise 5-10m tons of exports a year.

## Publicity

The project has been attracting publicity because it has provoked speculation that it will justify the building of the \$1m Trans-Kalahari Railway which would deliver the coal to Africa's west coast, at Walvis Bay in Namibia. Last month the government commissioned a British consultant to carry out the feasibility study for this route.

The fact remains that the first phase of coal exports would definitely not justify so ambitious and expensive a new route. The first coal would have to be taken out via a spur to the South African Railways line at Ellisras, about 130 km across the border. Various studies have been completed on this route, which could take 5-10m tons down to Richards Bay.

It is only at the stage beyond this — e.g. if the other companies were to go ahead with their own projects — that the Trans-Kalahari might make sense and the other advantages (e.g. developing the country's remote western regions) would become a major bonus. But all this is to look some way ahead

— into the next decade, when the world coal price may have recovered (if it doesn't). Botswana's coal is a non-starter. This duiker is therefore a distant gleam in the python's eye.

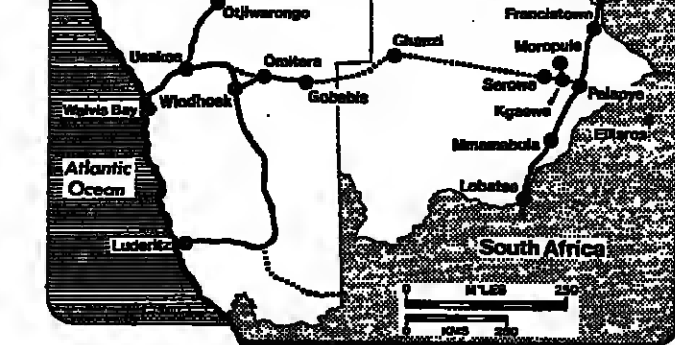
In the meantime, the companies are pressing on with their pre-feasibility work and the government is keeping its fingers crossed because the "black diamonds" would bring not just export earnings but jobs (the Shell mines are thought to project 2,200 jobs).

The second, though less dramatic, meal for the python was hoped to be the soda-ash project which B. P. Minerals has been developing in the Makgadikgadi Pans at Sua, where there is a 100-year supply of brine awaiting exploitation. The snag is that the Southern African region can only justify one large soda-ash scheme and there is a competitive project inside South Africa (by a consortium of AECL, Anglo-Vaal and the IDC).

The South African Government is on the point of a decision which will show whether it is prepared to welcome the Botswana project under the terms of the Southern African Customs Union or whether it prefers, presumably for strategic reasons, a project inside its own borders.

The python's really miserable dose of indignation has come from the B.C.L. nickel-cobalt project at Selebi-Phikwe. B.C.L. is controlled 15-85 by the Botswana Government and Botswana R.S.T. (Botswana), which in turn has 30 per cent of its shares held by both Anglo American Corporation and Amax.

The mines and smelter have had an extremely difficult history since 1973, requiring a



couple of financial restructurings. The news this year is said to be better: it is even claimed that the operation has been making a working profit and recent exploration news of reserves is encouraging. There will have to be a further financial arrangement at the end of this year, but the structures are in place and there is unlikely to be any problem.

Everything continues to depend on the world metal prices. It may be assumed that the government (with the support of Anglo American, i.e. De Beers) remains keen to avoid the shutdown that at one stage seemed necessary, with the loss of 5,000 jobs.

## Dream

Botswana's dream is that, beneath the sands of the Kalahari, everything will be discovered. The technical difficulties of prospecting are of course formidable, as the diamond men can testify. But even more than diamonds, there is the hope of oil.

That is still only a dream. It was thought that two promising

sedimentary basins had been identified by the 1978 aeromagnetic surveys but Esso, which had been active, withdrew amid rumours that there might be gas but no oil. The collapse of the world oil price coincided and people realised that the remote Kalahari must be the world's most difficult on-shore terrain to exploit.

It was another reprieve for the python and the Gaborone planners are taking a cautious view while the government looks for international funding for a seismic survey of the Kalahari.

But the planners remain optimistic. In the words of the Mid-Term Review of the Development Plan: "Botswana is a mineral-rich country, with a clear comparative advantage in mineral production. There are indications that throughout the rest of this century Botswana will probably find the new mineral sector projects required to boost the economy to a higher plateau. That means more food for the python."

J.D.F.J.

## Success in diamonds

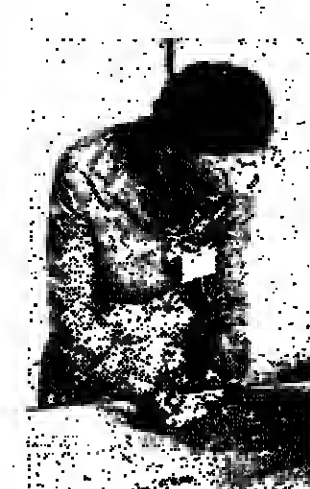
DIAMONDS HAVE been Botswana's salvation. The country used to be just a large expanse of Kalahari sand. This year it will produce 10m carats, which puts it in the world's top three diamond producers—probably exceeding even South Africa proper.

The first diamond pipe was discovered at Orapa in 1967 by De Beers, which thereafter set up Debswana, jointly owned by De Beers and the Botswana Government. Botswana has been De Beers' favourite country ever since. Another pipe soon followed—nearby Letlhakane, much smaller but the gem content turned out to be much higher.

The third stage was Jwaneng, south of the others and out under the Kalahari sands. It was opened in mid-1982 and the results are already ahead of forecasts, as Mr Louis Nchindo, resident director of Debswana, happily confirms. Thus the remarkable and surprising achievement of 18m carats in 1983, expected to rise to 12m over the next three years.

This need not be the end of the story—though in the present state of the world diamond market one suspects that De Beers would not be over-delighted to discover more diamonds in Botswana. Exploration continues, both in the Central Kalahari and in the Eastern salient.

Falconbridge, which has been active in Kalahari exploration, has come to an agreement whereby De Beers has taken over responsibility for the cost of the exploration programme. Officials in the Central Selling Organisation say that Falconbridge has done very well in that about 50 kimberlite pipes have been located, though of course no one can tell yet whether any of them will be commercially exploitable.



Sorting diamonds before laying them out for one of the five-weekly sales

able. Mr Nchindo talks of "one very small diamond prospect in the Kalahari."

## Harmonious

There is no evidence that the relationship between Botswana and the South African-based De Beers is anything other than harmonious, and no doubt De Beers is anxious to keep it that way. The detail of the government's arrangement with the company and with the Central Selling Organisation (CSO) is private, but it is known that the Botswana Government in total receives over 70 per cent of the profits.

The agreement with the CSO is due for renegotiation at the end of 1983. At Gaborone's new skyscraper—courtesy of De Beers—the Botswana Diamond Valuing Company (wholly owned by Debswana) sorts and grades the country's production. Of the 150 sorters, 100 are Botswana.

The snag—which is responsible for Botswana's one great statistical secret—has been

the recession in the world diamond market. Botswana has been one of the producer countries required by the CSO to submit to a quota restriction on sales. Therefore the country has been building up its own (large) stockpile, whose worth is fair to agree, cannot be realistically "valued" since the stones, unsellable for the present, can be assessed only on the cost of their production. It would not make sense, both government and corporate sources agree, to cut back on production in response to a temporary weakness in demand.

We have huge stocks here in Gaborone and the stocks have been increasing," says Mr Charles Thobe, Permanent Secretary in the Mineral Resources Ministry.

Everyone is aware of the utterly-transforming impact of the diamond finds on the national economy. But in the simplest terms, diamonds still account in 1983 for two-thirds of total exports. At the same time, everyone is aware of the danger.

Says the Mid-Term Review of the Development Plan: "In the future, Botswana's diamond exports will pick up with the diamond market during upturns and fall with the market in downturns. Swings in government diamond revenue of P100m from one year to the next are quite possible; with swings in foreign exchange earnings that are even greater. Government must continue to have a judicious and foreign exchange reserve strategy that will enable it to insulate the population as much as possible from the effects of these cycles by maintaining a steady growth path."

J.D.F.J.

## Wide portfolio for state-owned BDC

OUTSIDE the mining giants, a single institution, the Botswana Development Corporation, dominates the country's commercial and industrial scene. From his modest office at the corporation's headquarters, Mr Kiasa Kulper oversees a range of investment involving more than 30 subsidiary companies spanning agriculture, brewing, furniture, insurance, hotels, Air Botswana, property and industrial estates.

In addition BDC is a minority shareholder and financier of more than 40 companies. It is a portfolio worth some P25m, with turnover in 1982 of nearly P50m, before-tax profit exceeding P5m, and a target of annual investment in the years to come of P15m.

As a state-owned public company (the government holds 100 per cent of the voting shares), the BDC is the government's major arm for direct participation in industrial and commercial development in a country dominated by minerals and cattle, with little in between.

"There are very few local businessmen with access to capital," says Mr Kulper, an expatriate from Holland who took over as general manager in 1980. "BDC began by establishing itself in the 1970s in profitable areas which carried little risk. The strategy has started to change."

"We are now looking at projects in three categories. First, those in the national interest which we want to localise, such as tourism. The second area is agriculture—irrigation in particular—which is breaking new ground for us. Finally, projects

which are not attractive to private investors because of the low rate of return—small-scale enterprises, for example, or with a high risk, textiles, say, where the market can be unpredictable."

The change in the character of the institution is in part BDC's own initiative, in part a response to criticism of its role during the first decade. After its inception in 1970, the corporation won a reputation for playing safe: buying into the property sector in particular and doing little as a development agency.

When Mr Kulper took over in 1980, between 60 and 70 per cent of the BDC portfolio was in property. This share has since fallen to 20 per cent as its holdings diversified, and at the same time the management structure has been reorganised.

## Divisions

Project promotion and appraisal is now separate from the operations side, which in turn has been broken down into divisions: transport, small-scale enterprises and so on, with a staff of 50 in which 11 of the senior management posts are held by expatriates.

At the same time its role is changing at two very different ends of the market. BDC will initiate what will in effect be the start of a fledgling stock exchange when early next year it launches an investment trust. It will consist of shares from a dozen of BDC's most successful companies which will be available to citizens and pension funds.

Meanwhile, the Corporation will be assisting would-be entrepreneurs, existing small to medium-scale businesses, and agricultural smallholders. In the case of the first of these categories, says Mr Kulper, "BDC can assist a local businessman by helping him buy out the foreign owner, but with an agreement that the local shareholders can buy out our interest over a period of time."

BDC will also provide a greater range of services to small businesses. "We are prepared to back the small operator in the form of loans and equity. What we can also do is act as a bulk purchaser for raw materials and supplies, and possibly help in marketing—such as assessing export potential."

The Corporation also hopes to provide accounting and management advice to businesses which secure a BDC loan. The potential client gets a free initial survey, and if he takes up the financial package then offered, will pay for the cost of the management services, according to what he can afford.

The third "developmental" area soon to get under way is an agricultural programme in which the corporation will buy suitable farm land, provide the infrastructure, and sell off or lease viable sub-divisions to individual farmers. They will operate around a nucleus farm responsible for inputs, extension advice and marketing.

"It's a new concept in Botswana which is particularly valuable in a country where agriculture is so important," says Mr Kulper. "We believe that a three hectare irrigated plot could bring a return of some P2,000 a year. The key question is whether we can find 50 suitable families needed for the first pilot project, because small-scale irrigated settlement schemes haven't been tried before."

All the new ventures, in fact, carry a considerable degree of risk apart from the traditional problems associated with small and new businesses. Despite a range of investment incentives available under the Financial Assistance Policy launched last year, would-be investors face a series of problems which have constrained industrial and manufacturing development in Botswana.

Utilities are expensive; housing costs high; the domestic market small, with few locally-produced raw materials to process. But above all Botswana is overshadowed by neighbouring South Africa, a fellow member of a customs union which allows free movement of goods.

Nevertheless, such is the need to increase job opportunities in a country where unemployment is an increasingly serious problem that Government is determined that BDC pursues its changing role.

To meet anticipated demands, the corporation is embarking on a major expansion. Its authorised share capital will go up from P5m to P20m in 1984, with the three overseas shareholders (the International Finance Corporation, and the Dutch and German development agencies) expected to contribute P3.2m which will be matched by Government.

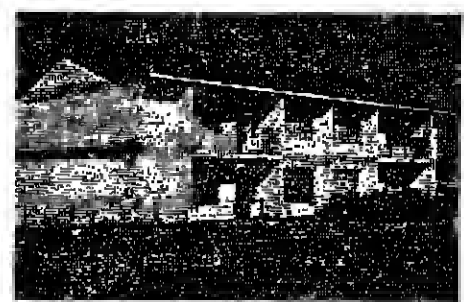
Negotiations are currently under way with the Commonwealth Development Corporation for a further P0.5m. Two other overseas sources of funds are the European Investment Bank, with whom a US\$3.5m deal was signed in September, and the IBRD, with whom a \$6.2m loan is currently under negotiation.

M.H.



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## BOTSWANA V

# Determination needed to boost agriculture

THE WARNING from Mr Peter Mmusi, Vice-President and Minister of Finance and Development Planning, was couched in language almost unheard of in placid and easy-going Botswana.

"Government leaders must increasingly be aware that unless they take immediate steps to develop their rural areas through widespread involvement of their rural poor, they will likely face unrest, violence and even revolution."

The minister was in part addressing his remarks to critics of the Government's determination to channel resources into the rural sector, despite discouraging results so far. Those critics argue that the money might be better spent on urban development and job subsidies, accepting that, given the generally poor land and uncertain weather, the drift from the land to the towns cannot be halted.

Although the critics are a small minority, they prompted Mr Mmusi's reaffirmation of government policy. Speaking earlier this year at an agricultural show he declared: "For the foreseeable future, the large majority of the people will continue to depend on the land and their livestock for their incomes... these areas have not been given adequate attention for a long time."

There is, however, no easy answer. Government's major effort to raise living standards in the countryside and thus keep people on the land has been the Arable Lands Development Programme (ALDEP) directed at the 70,000-75,000 small farms on holdings of under 10 hectares.

The key component of the ALDEP programme is subsidised packages including machinery, seeds, fencing as well as extension advice. On this programme rested government hopes that over the period of 1976-85 Fifth Development Plan non-cattle agriculture could grow at a rate of 5 per cent a year in real terms. Looking back on progress to date, the Mid-Term Review of the Plan comes to some gloomy conclusions. Agricultural GDP in constant 1979-80 producer prices has shown a decline from P98.7m in 1973-74 to P87.9m in 1980-81—in spite of the fact, the review points out, that the 1980-81 season was "marked by relatively good rains." "Up to 1980-81," says the Review, "Government's best efforts to increase agricultural productivity were unable to overcome the massive problems facing the sector."

The problems are daunting. Vulnerability to drought is probably the greatest single difficulty, but close behind is government's inability—plainly because of a shortage of skilled manpower—to implement fully rural development schemes. Thus, for the first three years

of the Plan some P14m was set aside for government investment in non-cattle agriculture, but actual spending turned out to be under 50 per cent.

Fortunately, the first two years of the Plan saw good rains and food grain output increased fivefold in 1979-80 and rose a further 21 per cent in 1980-81.

Then came the first of two drought years, which makes assessment of the ALDEP package, introduced at that time, almost impossible. As the Review points out, "the difference between a drought year and a year of good rainfall can be 400 per cent."

In terms of production, the effect has been catastrophic. In an outstanding year such as 1974-5, Botswana production of the two main cereals, maize and sorghum, was 119,000 tons—but still well below national consumption of some 150,000 tons of cereals. In the first year of drought it slumped to 12,000 tons and this past season fell to under 10,000 tons.

## Predicament

In terms of individual farms, the predicament of a smallholder is highlighted in a recent ALDEP survey. Looking at a sample of 1,365 ALDEP farms, less than 85 per cent planted any crop during the 1981-82 season, and only 57 per cent of these harvested any crops. One third of the farms depended on outside employment as their only source of income, and only 16 per cent of the survey farms received any income from crop sales.

The consequence is that despite the high level of subsidy in the ALDEP package, most farmers are unable to meet repayment terms. In an effort to ease the problem, the subsidy element has been raised to 85 per cent on all packages, but even so, many farmers will

have difficulty finding the 15 per cent down payment.

Government has stepped in with a Drought Relief Programme which includes the provision of rations to 200,000 people, labour projects which offer short-term jobs for 15,000, and 20 kg of free seed to all farming households which have been distributed in time for the 1982-83 rains.

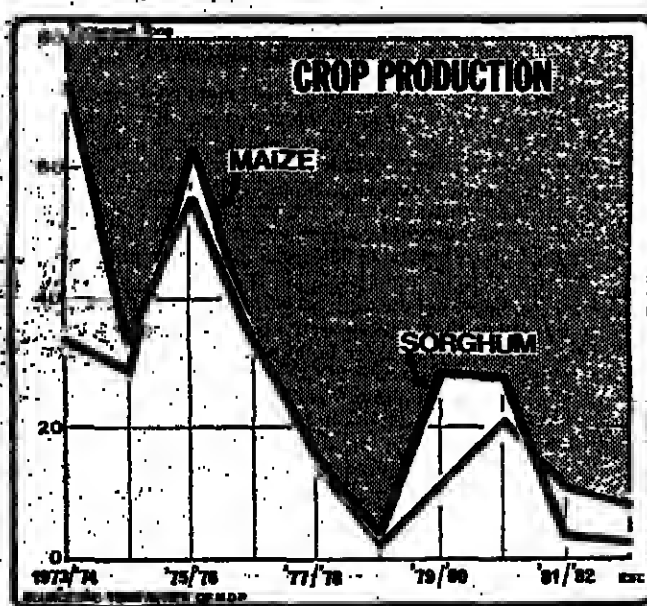
Farmers will also be eligible for a grant of up to P40 per hectare (to a maximum of three hectares) for de-stumping and draught power for ploughing. In the hope that, should the rains come this year, hectareage will be increased.

Looking ahead to strategy under the Sixth Development Plan, government is expected to adopt a two-pronged approach: a continuing effort to make ALDEP succeed, and at the same time encouragement of commercial farms, which will be able to draw on resources from the Financial Assistance Policy and agriculture loans from the National Development Bank and the Botswana Development Corporation.

Government officials believe that the two areas offering the greatest potential for commercial farms, drawing on irrigation schemes, are Chobe in the far north and the Tlokweng Block to the east. The latter already has established farmers, but Chobe will need substantial infrastructural investment. It has the advantage, however, of a 30-inch average annual rainfall.

"We need to strike a balance," says one senior official. "We must keep small farms in production through ALDEP, but at the same time we must provide enough resources for greater commercial development. The critical factor is keeping people on the land—there simply are not enough jobs in the towns."

M.H.



Vultures feeding off dead cattle—evidence of the drought affecting Botswana.

# Improving climate for investors

"UNLESS we do something positive to diversify this economy," warns the introduction to the Government White Paper on the Financial Assistance Policy (FAP), "we will end up with an unbalanced economy and a lack of employment opportunities."

The scheme, introduced in May last year, represents the single most important government measure to find jobs for the 12,000-13,000 school leavers who come on the market each year, by providing attractive incentives for foreign investors as well as encouraging small and medium-scale local businesses.

It is the product of some two years of debate within the Economic Committee of Cabinet, anxious to avoid direct subsidies to industry but at the same time aware that given the high costs of setting up in Botswana, and powerful competition from South Africa and its "Home-lands," something had to be done to improve the investment climate.

The scheme is based on the provision of direct government grants to new or expanding enterprises (excluding large-scale mining and the cattle sector) in three categories:
 

- Small scale — defined as an investment of under P10,000;
- Medium scale — between P10,000 and P750,000;
- Large scale projects of over P750,000.

 The total allocated to the

scheme in the first year of operations, 1982-83, was P5m, and a further P10m was set aside for the 1983-84 budget year.

Each group is subject to different criteria, but the Government is determined to make the procedures as straightforward as possible. "We want it to be free of red tape," says one official. "Investors should not have to wait months before we give them a decision."

The first category is open to citizens of Botswana only and is weighted to favour rural areas and women. This allows advances range from a grant of up to 40 per cent of the cost of starting up a business in the urban areas, to 80-90 per cent for a woman operating in rural western Botswana.

The main consideration is that the project should have a reasonable expectation of financial viability within five years. The sort of ventures officials have in mind include village tanneries, brickmaking, beekeeping, carpentry and other small-scale businesses especially suited to the countryside and small towns. To bring the grant opportunity within easy reach of applications, the paperwork is handled by rural industrial officers in the districts, and town planning officials in the urban areas.

At the medium and large-scale level, the scheme is open to citizens and foreign investors alike, and is handled by the Ministry of Commerce and

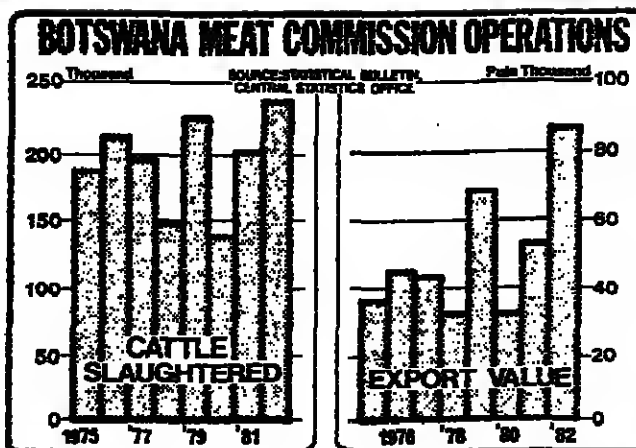
Industry, except for small-scale mining proposals and agricultural projects, which are processed by the Ministries of Mineral Resources and Agriculture respectively.

Two types of grant are available: automatic financial assistance for new investments in the manufacturing sector and a grant awarded subject to case-by-case study. For the former, provided a proposal does not adversely affect existing industries, a wide range of incentives become available automatically. It begins with a five-year tax holiday at a rate of 100 per cent in the first two years (three years in rural areas), falling to 75 per cent, 50 per cent and 25 per cent in succeeding years.

## Training

The second element is a grant towards the cost of employment of unskilled labour (defined as those earning under P7.20 a day), beginning at 80 per cent of the cost for the first two years, dropping to 20 per cent in the fifth year. Finally, a training grant is available which covers half the cost of off-the-job courses.

The case-by-case provision—in which the main criterion is an expected real rate of return to Botswana from the new or expanding business of at least 6 per cent a year—includes the unskilled and training grants, but has two further components: capital grants of P1,000 per job in the non-agricultural



# Beef export earnings the highest ever

THE DROUGHT has been a major element for the cattle industry in the record year of 1982. Cattle owners have been forced to sell more beef to the state-owned Botswana Meat Commission (BMC) than they would have done in a normal year. The result was that export earnings of beef reached P27m, the highest ever, with 2.37m cattle slaughtered.

These figures are also a tribute to Botswana's extraordinary success in combating foot-and-mouth disease, which for a while restricted the lucrative European Economic Community market. Today not only has the country's herd been free of the disease since September 1980, but the Botswana Vaccine Institute produced 15m doses of foot-and-mouth disease vaccine in its first full year of operation in 1982, of which 5m doses were exported.

One major benefit is the access to the EEC. The quota negotiated under Lomé II was nearly 19,000 tons; last year exports reached nearly 12,000 tons, and this year could rise to 17,000.

## Doubts

Meanwhile the expansion of facilities continues, with the new abattoir at Maun beginning limited operations in March this year. The target is a throughput of some 15,000 cattle in the course of the first 12 months.

But plans for a third abattoir in Francistown are proving contentious. There are doubts about its financial viability, but government is coming under much pressure from politicians and cattle owners (in Botswana this is usually the same thing) in the area, who make much of the fact that Francistown could be a winnable constituency for the Opposition—and reactions are usually a year away.

Nevertheless, on the face of things, the BMC can be pleased with itself, running at Lobatse one of the most modern and strictly-regulated abattoirs in Africa. But the Commission is not without its critics.

A disquieting case is marshalled against the BMC in the report of the Presidential Commission on Economic Opportunities, published in May 1982. The main argument is that the BMC's operating costs are unnecessarily high, with the producer bearing the brunt in the form of lower prices for his cattle.

A report from an outside consultant, cited by the Commission, calculates that the share of total revenue returned to the producer declined from an average of 66 per cent in 1970-71 to 55 per cent in 1979-1980. A comparison of BMC costs and payments shows, says the Commission, that "costs have increased disproportionately." Comparing 1981 with the average of years 1968 to 1971, it continues, net sales value per beast increased by 267 per cent, producer payments per beast rose 212 per cent, but BMC

processing and administration costs per beast increased by 480 per cent.

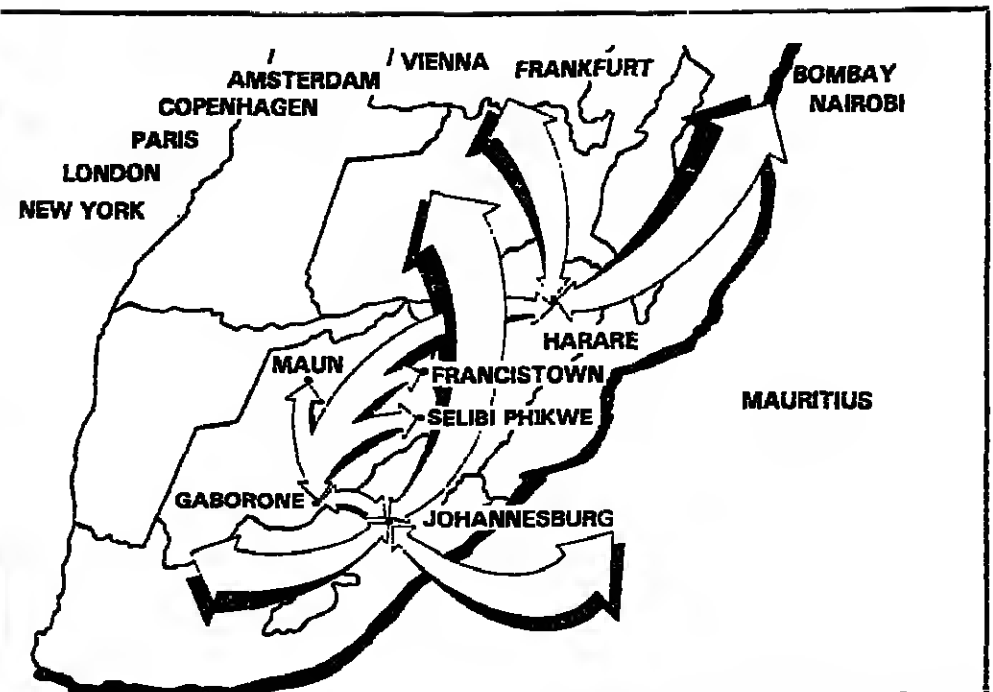
It was an opening salvo returned vigorously by the BMC, which maintained that the consultants had not done their sums properly—in a campaign which has not ended but is largely conducted behind closed doors.

The Commission's recommendation that the BMC operations be investigated was flatly turned down by the government. Today government officials maintain that BMC's finances had already come under scrutiny in a consultancy report due to be released later this year. Critics of the BMC for their part point out that the report concentrates on the viability of the Francistown abattoir.

Apart from this, the cattle sector as a whole is not without its problems. There is growing evidence that the land is overgrazed. Some of the benefits from the industry—the country's largest foreign exchange earner after minerals, and the major source of employment—"have been bought," says the Commission, "at the expense of partially destroying the invaluable asset—grazing land—on which the industry is based."

In theory, the Tribal Grazing Land Policy should conserve rangeland. Under the programme, land is divided into three categories—commercial, communal and reserve land set aside for future use by the poorest group of cattle owners. But in a drought, survival takes precedence over rules and regulations, and the cattle and their owners have been driven by desperate need to whatever grazing is available.

M.H.



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# Botswana Telecommunications Corporation

The Botswana Telecommunications Corporation has embarked upon an ambitious programme of development and modernisation of the country's telecommunications system. New digital telephone exchanges will be placed in the main centres between and including Lobatse and Francistown by 1985 and linked by microwave. Whilst some rural areas will receive attention by 1985, others will follow shortly thereafter. Already a satellite earth station near Gaborone carries traffic to all parts of the world, and new microwave routes to Zambia, Zimbabwe and South Africa will be operating in 1984. A new telex exchange in Gaborone was commissioned in February 1982.

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London N8 9D  
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M.H.



## BIDS AND DEALS

## December 1 is decision day for BAT shareholders

THE extraordinary general meeting at which BAT Industries will be seeking the approval of shareholders for its bid for Eagle Star Holdings is to be held on Thursday, December 1, 1983.

In a letter to shareholders announcing the meeting, Mr. Patrick Sheehy, BAT's chairman, explains that the offer for Eagle Star made on Monday, November 14 brought to a climax two years of careful planning for the strategic development of the group.

He explained that these investigations have revealed that financial services were the most promising sector in which to develop, meeting the group's criteria for expansion.

Mr. Sheehy saw Eagle Star as a company with an expanding insurance business and associated financial services, with immense potential for future growth and profitability.

BAT is offering 575p a share for Eagle Star at a bid value of £796m. Eagle Star has forecast pre-tax profits up by a third in 1983 to £30m. The net asset value of Eagle Star's shares is put at not less than 500p a share.

## Minet's new company

Minet Holdings has formed Minet International Professional Indemnity, which will commence operations on January 1 next and will specialise in the provision of insurance services to the professions on a worldwide basis.

For many years this class of business has been a main Minet business sector, but all this expertise will now be concentrated into a new profit centre. This will assume responsibility for the new professional indemnity divisions, which have been operating within other Minet profit centres.

## Costain £1.5m rescue bid is key to Streeters survival

BY DAVID DODWELL

Costain, construction and development group, yesterday revealed an agreed £1.48m bid for Streeters of Godalming, public works and civil engineering contractor which has been blighted by litigation over debts in Saudi Arabia.

The cash offer, of 20p for every Streeters share, is far below the 38.5p price at which dealings in Streeters' shares were suspended late in October. It amounts to a company rescue since Streeters' bankers have refused to increase overdraft facilities until a dispute over £1.4m of Saudi debts is settled.

Costain has held a 22.5 per cent stake in Streeters through its subsidiary Beslink since 1979, and has tendered jointly on some overseas contracts. It is understood Costain was keen to capitalise on Streeters' skills particularly in the areas of tunnelling and drainage.

Streeters set up an associate in Saudi Arabia in 1975, but dis-

posed of its 40 per cent holding three years later. During that time, Streeters Saudi Arabia had borrowed £333,000 from the National Westminster bank to cover debts to its UK parent. This debt has never been repaid, nor has interest been paid since 1980. The UK parent stood as guarantor for the loan.

Until only two months ago, Streeters of Godalming had remained confident that arbitration would ensure repayment of the loan. Since then, however, legal proceedings have had to be initiated, and no date for a first hearing has been set.

Mr. Nicholas Streeter, chairman and managing director of Streeters, said yesterday that his board had approached Costain as the company being able to provide the only solution to the problem.

He revealed that apart from its problems in Saudi Arabia, Streeters had faced difficulties in its UK business. He said that

trading margins on existing contracts "have at best been small," and said the board could give no assurances about the company's full-year performance.

In recommending the offer to shareholders, the Streeters board said acceptance "represents the only way of ensuring that the company continues to trade."

At the interim stage, to June 30 1983, Streeters earned a pre-tax profit of £18,000, compared with £187,000 in the first half of 1982. Turnover during the same period fell to £4.6m from £4.96m. It has not paid a dividend since 1977.

Liabilities that have proven crippling to Streeters are likely to be inconsequential to Costain. Just two months ago it revealed pre-tax profits for the six months to June 30 1983 of £16,26m, up from £14.15m in the same period of 1982, if exceptional items are excluded. Turnover for the six months remained steady at about £31.4m.

## Surprise raid on West's Group

BY CHARLES BATCHELOR

RONALD SHUCK'S Espley-Tyas Property Group yesterday launched a "mid-morning raid" on West's Group International, the civil and mechanical engineer in an apparent first step towards a full bid.

Stockbrokers Raphael Zorn bought 1.17m shares or 14.9 per cent of the West equity at 100p per share in a 15-minute operation which began at 10.40 am. The shares had previously been trading at 81p.

Mr. Shuck said: "We don't have any civil engineering activity within the group. They

have West Piling. There is obviously compatibility with our construction side."

Mr. Shuck declined to comment on any further moves he might make, but he is restrained by the City Take-over Code from buying any more shares for a week. No meeting has yet been held with the West board, but Mr. Shuck hopes for early discussions.

The share raid caught West with many of its directors travelling, and the board was unable to meet until 11.30 am. The West board was unaware of the identity of the buyer until early yesterday afternoon.

West made a profit, before tax and extraordinary items, of £492,000 in turnover of £37.2m in the year ended March 27 1983 compared with profits of £1.54m on turnover of £57.6m the year before.

Espley-Tyas increased pre-tax profits to £1.3m in the six months ended March 31 1983 on turnover of £23.8m. This compared with profits of £1.2m on turnover of £23.2m in the comparable period, months ended March 31 1982, up to a new high for the year of 105p to value the entire company at £8.47m. Espley-Tyas was unchanged at 79p.

## The price of penance for Chemical Methods

BY DAVID DODWELL

Chemical Methods Associates, the U.S. dishwasher maker which a month ago made a unique act of penance by offering shareholders their money back after failing to meet profit forecasts made during its USM launch in May, yesterday revealed that shareholders accounting for just 8.5 per cent of the company's shares took up the money-back offer.

Repayment, which will be staggered over three years, will cost the company £267,000 immediately, and an aggregate of £1.38m.

Shareholders agreeing to remain loyal to the company have been promised dividends which amount to a return of 10 per cent on their investment this year and next.

In addition, they will receive one new share for every four held—at the expense of founder shareholders headed by Mr. Garth Bischoff, the company's chairman. The founder shareholders include Chemical Methods' directors and others linked with promoting the company in the UK. Between them, they own about 70 per cent of Chemical Methods' shares.

The share transfer, which amounts to almost 600,000 shares, 7.5 per cent of the founder shareholders' original total, will take place on November 24, as will the cash repayment.

Aiken Hume, Chemical Methods' financial adviser in the UK, said yesterday that when the offer was made, shareholders accounting for almost 87 per cent of the company's shares had undertaken not to take cash. Thus, one third of the 13 per cent of uncommitted shareholders chose to retain their stake.

Aiken Hume had offered on behalf of Chemical Methods to redeem up to 1,177,342 shares. If calls for money back exceeded this total, then Aiken Hume had

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Spears & Jackson Int.	60.0	+6.5

\* All 400 are recommended selling offshore stock to leave remainder in for nothing

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## Five Oaks buys

Shareholders in Five Oaks Investments will be asked to approve the acquisition of Hilton House, Lord Street, Stockport, from Consult Property Development Company.

Consideration will be £407,500 to be satisfied by the issue of 1.63m Five Oaks shares, taken at 25p. It is understood that the vendor may retain the shares as an investment but will take no active management role in the company.

The property is a 31,150 sq. ft. office building held on lease from the Metropolitan Borough of Stockport.

## Stenhouse merger terms

Terms being offered to members of Stenhouse Holdings to effect the merger with Reed Stenhouse are: one class "C" share in Reed Stenhouse, plus one new dividend share of 1p in Stenhouse Holdings and 20p cash for every five ordinary shares in Stenhouse Holdings.

Holders of class "C" shares in Reed Stenhouse with their attendant new dividend shares, will be able, at any time and at no cost to themselves, to exchange their shares for class "A" shares in Reed Stenhouse without obligation. The "A" shares are those presently publicly held and listed on the

Toronto, Montreal and Vancouver stock exchanges.

The creation of the new dividend shares has been formulated to retain the benefit for UK taxpayers, of a full tax credit attaching to dividends paid to accepting Stenhouse Holdings shareholders and to avoid Canadian withholding tax. It is considered that this structure will be attractive to UK based shareholders.

Subject to the approval of the shareholders of Stenhouse Holdings, a capital reorganisation will be implemented to reduce the costs of the merger and authorise and issue the new dividend shares.

Lambert Holdings—The Scottish Investment Company has acquired 150,000 ordinary shares. John Williams Group—Wyndham Engineering has purchased an additional 25,000 ordinary shares. Together with the previously notified 400,000 shares owned by its subsidiaries Wyndham Financial Services, this brings its holding to 6.13 per cent.

Bespak—Mr. M. A. Schumann, a director, has disposed of 50,000 ordinary shares at £3.03. H. Sammel—Mr. A. S. Edgar has sold 87,018 ordinary shares at £1.31 each, thereby increasing his holding to 2,623,119 shares (£3.27 per cent).

Cambrian and General Securities—Lord Paringdon, director, disposed of 12,000 ordinary shares non-beneficially.

## SHARE STAKES

(17.53 per cent) and 740,000 capital shares (6.29 per cent). Combined, these holdings represent 14.55 per cent of the voting rights.

J. Hepworth and Son—The Government of Kuwait now holds an interest in 2,009,500 ordinary shares.

New Tokyo Investment Trust—Lloyds Bank Pension Scheme now holds 510,000 ordinary shares in the company (5.08 per cent). This arises from an amalgamation of two benefits schemes into one pension fund.

Waitan Investment Company—Mr. J. R. Henderson, director, ceased to be interested in 26,000 ordinary shares and has disposed of 2,300 non-beneficial ordinary shares at 32p. This leaves him holding 12,000 ordinary shares non-beneficially.

He is now interested in 318,609 ordinary and 2,411,504 ordinary in capacity as a trustee.

Paramble—The company has purchased 25,000 of its own ordinary shares for cancellation of 50,000 stock. This leaves 4,475,000 shares remaining in issue.

Arthur Guinness and Sons—Lord Iveagh, director, disposed of 50,000 stock, reducing his holding to 3,908,831 units (2.215 per cent).

Francis Industries—Suter has increased its holding of ordinary shares at 32p. This leaves him holding 1,899m to 2,05m (18.44 per cent).

Royal Worcester—L. Messel and Co, brokers to Crystalline, have bought 25,000 ordinary shares at 32p, increasing his holding to 650,000 ordinary (8.6 per cent).

## BASE LENDING RATES

A.B.N. Bank	9 1/2 %	Hertford & Gen. Trust	9 1/2 %
Aldred Smith Bank	9 1/2 %	Hill Samuel	9 1/2 %
Amco Bank	9 1/2 %	C. Hoare & Co.	9 1/2 %
Henry Ansbacher	9 1/2 %	Hongkong & Shanghai	9 1/2 %
Arbuthnot Latham	9 1/2 %	Kingsnorth Trust Ltd.	10 %
Armo Trust Ltd.	9 1/2 %	Knowles & Co. Ltd.	9 1/2 %
Associates Cap. Corp.	9 1/2 %	Lloyds Bank	9 1/2 %
Banco de Bilbao	9 1/2 %	Mallinham Limited	9 1/2 %
Bank of America	9 1/2 %	Edward Manson & Co.	10 %
Bank of Canada	9 1/2 %	Meshrigi and Sons Ltd.	9 1/2 %
Bank of Cyprus	9 1/2 %	Midland Bank	9 1/2 %
Bank of Scotland	9 1/2 %	Morgan Grenfell	9 1/2 %
Bank of the East	9 1/2 %	National Bk. of Kuwait	9 1/2 %
Bank of the Middle East	9 1/2 %	National Girobank	9 1/2 %
Bank of the Pacific	9 1/2 %	National Westminster	9 1/2 %
Bank of the South	9 1/2 %	Norwich Gen. Tst.	9 1/2 %
Bank of the West	9 1/2 %	R. Raphael & Sons	9 1/2 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 1/2 %
Bremar Holdings Ltd.	9 1/2 %	Roxburgh Guarantees	9 1/2 %
Brit. Bank of Mid. East	9 1/2 %	Royal Trust Co. Canada	9 1/2 %
Brown Shipley	9 1/2 %	Standard Chartered	9 1/2 %
Bank of London	9 1/2 %	Trade Dev. Bank	9 1/2 %
Canada Perm't Trust Ltd.	9 1/2 %	T.C.B.	9 1/2 %
Castle Court Trust Ltd.	9 1/2 %	Trustee Savings Bank	9 1/2 %
Cayzer Ltd.	9 1/2 %	United Bank of Kuwait	9 1/2 %
Charterhouse Bank	9 1/2 %	United Mizrahi Bank	9 1/2 %
Charterhouse Japbet	9 1/2 %	Volkskas Intl. Ltd.	9 1/2 %
Choulartons	10 1/2 %	Westpac Banking Corp.	9 1/2 %
Citibank Savings	10 1/2 %	Whiteaway Ltd.	9 1/2 %
Clydesdale Bank	9 1/2 %	Williams & Glyn's	9 1/2 %
C. C. Bank	9 1/2 %	Witntrust Secs. Ltd.	9 1/2 %
Comm. Bk. of N. East	9 1/2 %	Yorkshire Bank	9 1/2 %
Consolidated Credits	9 1/2 %		
Co-operative Bank	9 1/2 %	Members of the Accepting House Committee.	
The Cyprus Forward Bk.	9 1/2 %	7-day deposits 5.5% 1-month	5.75%
Dunlop & Co. Ltd.	9 1/2 %	Short-term	£8,000/12 months 6.1%
Duncan Lawrie	9 1/2 %	Deposits on sums over £10,000 5%, £10,000 up to £50,000 5.5%, £50,000 and over 7.75%	
E. T. Trust	9 1/2 %	7-day deposits over £10,000 5.5%	
Exeter Trust Ltd.	9 1/2 %	Demond deposits 5 1/2 %	
First Nat. Fin. Corp.	9 1/2 %	Monthly base rate	
First Nat. Secs. Ltd.	10 1/2 %	3 Money Market Cheques Accounts	£8.00
Robert Fraser	10 %	Effective annual rates	9 1/2 %
Grindlays Bank	9 1/2 %		
Guinness Bank	9 1/2 %		
Ham & Bank	9 1/2 %		



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European zinc producers lift prices, Page 42

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## SECTION III - INTERNATIONAL MARKETS

# FINANCIAL TIMES

Wednesday November 16 1983

### WALL STREET

## A daze of divergent sets of data

INVESTORS turned nervous on Wall Street yesterday after the latest statistics on U.S. industrial production disclosed slightly lower growth than the market had been expecting. The same news found a warmer reception in the bond market but was quickly followed by White House comments bawling the below-target M1 money supply, which left operators somewhat non-plussed, writes Terry Byland in New York.

Earlier, the bond market had refused to make any further response to the favourable data on money supply released late in the previous session.

After early gains by leading stocks, the market turned down in the afternoon when there was some selling of IBM. The Dow Jones Industrial Average ended the session a net 6.10 off at 1247.97 on sluggish turnover of 78.1m shares. Stocks with gains totalled 696 against 892 on losses. Once again the feature of the day was the Nasdaq market, where stock gains were about twice the number of stock losses.

The continued moderation in money growth, with an unexpectedly large fall in M1, was taken as an indication that

the Federal Reserve - with its Open Market Committee in session this week - would continue to leave credit policies unchanged.

The Fed, it was generally agreed, would focus on developments in the real economy, watching for any sign of overheating as the industrial and consumer recovery continues.

The lower than expected rise in industrial production last month, reflecting a decrease in motor vehicle output and only moderate growth in consumer and construction goods, checked an early advance in the stock market, but helped bonds steady after a dull start.

There was some selling of motor stocks after official statistics had confirmed the slowdown in output last month. General Motors slipped 1 1/4 to \$78 and Ford at \$63 1/2 shaded down 3/4.

Caterpillar tractor weakened 3/4 to \$42 1/2 on disappointment with the slow pace of recovery in production of construction equipment.

Minnesota Mining (3M) fell 1 1/4 to \$85 1/2, with investors more interested in the general industrial outlook than in its plans to open a production facility in China.

Other weak spots included McDonnell Douglas, one point off at \$39 1/2; Burlington Northern, \$1 1/2 off at \$104 1/2; and General Electric, 5/8 down at \$58 1/2.

With the data for trading in stocks of the newly deregulated telephone groups set for November 21 A & T had an active session. The stock eased 3/4 to \$62 1/2, to the accompaniment of widespread advice to clients by leading brokerage houses.

IBM lost ground - slipping three points to \$124 1/2 - after Prudential-Bache

had cut its earnings forecast for IBM from \$10.70 to \$10.25 for 1984. Honeywell shed 5 1/4 to \$130 and Digital Equipment at \$69 1/2 was two points off.

Retail stocks were unimpressed by a batch of third quarter trading statements. J. C. Penney lost 1 1/4 to \$62 1/2 despite higher profits while trading statements from Carter Hawley Hale left its stock \$1 down at \$22 1/2, Federated Department Stores 1 1/4 off at \$57 1/2, and Dayton Hudson 5/8 weaker at \$35 1/2.

However, Jack Eckerd, the drug store group which disclosed a 15 per cent rise in sales, added 3/4 to \$26 1/2.

Credit markets opened nervously behind a higher federal funds rate of 9 1/2 per cent, at which level the Fed came in with \$1.5bn in customer repurchases. Prices were a shade below overnight levels after the White House comments on M1 had left the market unsure how to react.

In tandem with this, however, the Fed extended its intervention by offering to buy all maturities of treasury coupon issues for delivery tomorrow, as an addition to reserves. Funds were still holding at 9 1/2 per cent.

Three-month treasury bills were at a discount of 8.78 per cent and the six-month at 8.93 per cent, a couple of basis points higher in both cases.

The 3013 long bond at 102 1/2 was finally 1/2 up and yielding 11.73 per cent.

### TOKYO

## Buying from abroad is the buoy

THE UNEXPECTED decline in U.S. money supply and continued active buying by non-residents spurred investors particularly towards paper-pulp and motor parts issues in Tokyo yesterday, pushing share prices up for the third straight session, writes Shigeo Nishitani of Jiji Press.

The 225-issue Nikkei-Dow index rose 30.77 to 8,379.29. A total of 285.87m shares changed hands, down from 294.29m the previous day. Gains outnumbered losses 389 to 273 with 200 issues unchanged.

Denki Kagaku Kogyo was the volume leader, with 9,397m shares traded, although the price finished the day unchanged at Y343.

Daiwa Securities said non-residents' market orders totalled 21m for sales and 24.5m for purchases, leaving a net buying surplus.

Paper-pulp remained popular on the expectation that their business performance would recover as a result of a drop in fuel costs and stronger demand. Oji Paper gained Y17 to Y487 and Kanazaki Paper Y34 to Y602.

Machinery issues were also firm, reflecting brisk orders. Okuma Machinery Works added Y34 to Y725 and Amada Y20 to Y857. Akabono Brake gained Y52 to Y479 on rumours of new speculative interest, while Tokico also advanced Y15 to Y560.

By contrast, Nippon Steel and Mitsubishi Heavy Industries both finished Y4 lower at Y163 and Y246 respectively. Most other large-capital issues were also down.

Chemicals, which had been on an upswing since the middle of last week, came under profit-taking pressure, dropping on a wide front. Shin-Etsu Chemical reached an all-time high of Y934 temporarily, mirroring the stronger performance of its electronics subsidiary, but closed the day at Y910, off Y1.

Toyo Soda lost Y4 to Y229 and Japan Synthetic Rubber Y8 to Y417.

Aoki Construction, a speculative issue,

scored a day's maximum allowable gain for the issue of Y50 to Y910, while the yen's appreciation against the U.S. dollar sent Nippon Oil up Y80 to Y1,170.

Most of the new capital is expected to be placed privately to avoid depressing the market price.

Groupe Bruxelles Lambert, the country's second largest holding company, edged just Bfr 20 higher to Bfr 2,310, despite its forecast of increased profits and dividends for this year.

On Monday, the company's shareholders approved a one-for-two rights issue which will boost equity Bfr 4.15bn to Bfr 12.4bn.

Modest gains were recorded in Frankfurt in quiet trading ahead of today's public holiday.

The Commerzbank index continued its steady climb, adding 3 points to 1,016.3 - within sight again of its 23-year high of 1,017.5 achieved on October 25.

Much attention was centred on blue chip motor and chemical issues and there was also a marked improvement in bank shares following their recent weakness in the wake of the SMH bank rescue.

Shares held generally firm in Paris, although the trend slowed markedly from the advances of previous sessions. The upward mood was led by the food and beverage sector with BSN-Gervais rising Ffr 32 to Ffr 2,477 and Pernod-Ricard up the same amount at Ffr 660.

Uncertainty over interest rates left Zurich investors reluctant to take new positions and prices ended mixed to slightly lower.

Markdowns in the banking sector were attributed to fears that banks will not raise their dividends, despite higher profits this year. The recently favoured Bank Leu dropped SwFr 75 to SwFr 4,100.

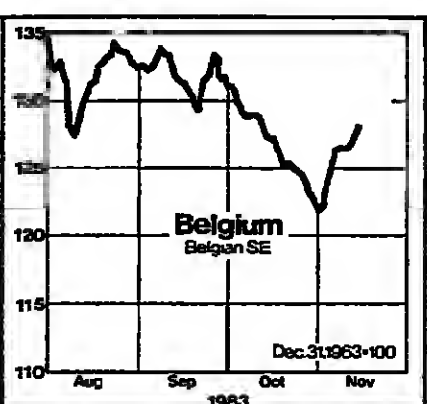
Amsterdam turned weak as the market awaited the results of resumed talks between the Government and public sector unions about pay cuts.

Akzo, however, remained a bright spot, adding 50 cents to Fl 81.80 following its third quarter results. Some profit-taking was evident following Monday's Fl 1.90 advance, but this was matched by buying support.

Shares were lower in quiet trading in Madrid, with the sharpest falls seen in the steel sector.

But Milan moved higher, enlivened by position squaring and fresh buying ahead of the new bourse month which begins today.

Stockholm was also firmer, with Boliden a further SKr 1 ahead at SKr 386 following its improved nine-month figures.



### EUROPE

## Belgian tax laws bear further fruit

THE PREVAILING tax concessions allowed by the Belgian Government on capital-raising exercises on the part of the country's quoted companies bore further fruit in Brussels yesterday, reinforcing the health of the investment climate there. Other European centres had a more restrained trading day.

The day's largest gainer in Brussels was the metals concern Hoboken, which added Bfr 125 to Bfr 4,700 following the company's one-for-three stock issue.

### LONDON

## Financials again to the fore

THE FINANCIAL sectors again highlighted the London stock market yesterday as bid and merger speculation remained rife. Other leading equities were uneventful but firm, awaiting a Government economic statement tomorrow.

Buying emphasis switched to the insurance pitches and to Lloyd's brokers in particular. Stenhouse Holdings, suspended at 108p, resumed at 130p following details of the proposed merger with its Canadian associate, Reed Stenhouse. The close was 127p.

Composite insurers received a jolt in the shape of disappointing third quarter figures from Royal, which closed 20p down at 485p. Eagle Star shed 15p at 650p.

The FT Industrial Ordinary index eased 0.1 at 127.3.

Child-edged securities succumbed to profit-taking. Closing falls among longer-dated stocks ranged to a half. In the mining markets, which continued to outperform metal prices, recent high-flyer Randfontein was £1 up at £84 and Harbested £1 1/2 to £43 1/2.

Details, Page 37, Share information service, Pages 38-39.

### AUSTRALIA

WIDESPREAD early falls were widely recouped later in the day in Sydney, although continued weakness in the resources sector left the All Ordinaries index to close down 2.7 at 708.1.

The decline was attributed to a correction of overbought positions while, at the same time, last week's stock shortage is now beginning to ease.

Oil and gas stocks gained little from Monday's optimistic field reports. Bond Corporation, which added 3 cents on Monday on the flow from its Harriet One well, finished unchanged at A\$1.28.

### HONG KONG

EARLY GAINS were given back in a nervous Hong Kong market with trading held back ahead of the outcome, late in the session, of the latest round of Sino-British talks in Peking.

The underlying bias continues to be firm and the nervousness is now expected to subside until the next scheduled meeting on December 7.

The Hang Seng index, which had added 6.67 by the morning close, ended the day a net 0.29 easier at 855.72.

### SINGAPORE

A LACK of fresh influences left Singapore mixed on light selective bargain-hunting and liquidation of positions.

The Straits Times industrial index ended 1.75 lower at \$34.33. Rothman Industries was the most actively traded stock, adding 7 cents to S\$2.28.

### SOUTH AFRICA

A GOOD LEVEL of demand was maintained for Johannesburg gold shares in the apparent belief that bullion values, steady for some days at just above \$380, had established a support level there and were due for a rally.

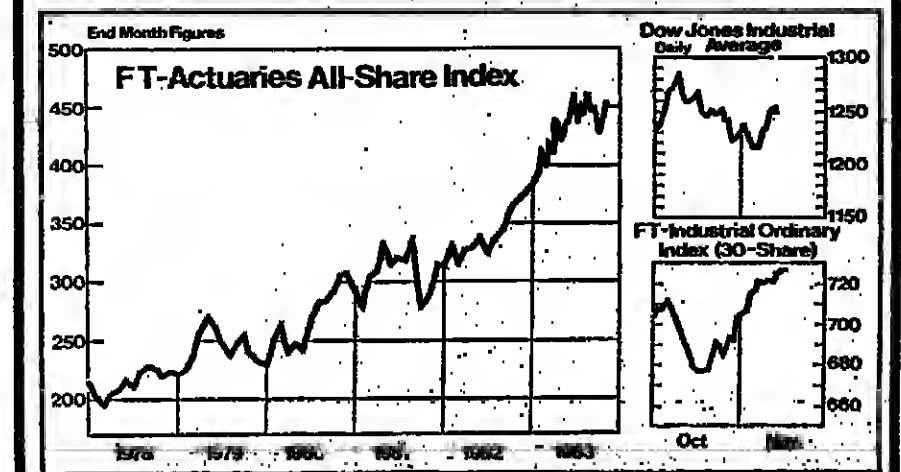
Harbestedfontein put on a further R3.50 at R77, while at the cheaper end Simmer and Jack gained 40 cents to R8.10.

### CANADA

SHARES TURNED lower in Toronto as losses began to be posted over a broad section of the market. Gold issues which managed an early advance, later lost the advantage and the sector moved to the fore among the declines. Oil and gas issues were also marked down.

Declines were also seen in Montreal, although banks managed to move marginally ahead.

### KEY MARKET MONITORS



STOCK MARKET INDICES				
	Nov 15	Previous	Year ago	
NEW YORK				
DJ Industrials	1247.97	1254.07	1021.43	
DJ Transport	596.80	601.55	436.6	
DJ Utilities	136.95	136.98	118.49	
S&P Composite	165.36	166.57	137.03	
LONDON				
FT Ind Ord	727.3	727.4	616.2	
FT-A All-shares	457.80	456.84	382.25	
FT-A 500	492.68	492.91	428.83	
FT-A Ind	450.01	448.96	401.68	
FT Gold mines	524.3	513.7	370.5	
FT Govt secs	83.37	83.54	83.08	
TOKYO				
Nikkei-Dow	8379.29	8348.52	7762.23	
Tokyo SE	687.92	686.07	566.94	
AUSTRALIA				
All Ord.	708.1	710.8	508.7	
Metals & Mins.	514.8	519.2	416.9	
AUSTRIA				
Credit Aktien	54.2	54.11	47.53	
BELGIUM				
Belgian SE	127.37	127.37	98.72	
CANADA				
Toronto Composite	245.97	247.19	1632.5	
Montreal Industrials	432.65	435.79	321.02	
Combined	417.36	419.94	308.76	
DENMARK				
Copenhagen SE	191.84	190.17	88.77	
FRANCE				
CAC Gen	143.3	142.8	101.6	
Ind. Tendance	153.0	152.6	121.4	
WEST GERMANY				
FAZ-Aktien	342.02	340.88	224.51	
Commerzbank	1016.8	1013.8	712.0	
HONG KONG				
Hang Seng	855.72	856.01	824.04	
ITALY				
Banca Comm.	185.08	183.49	158.08	
NETHERLANDS				
ANP-CBS Gen	140.5	141.1	98.5	
ANP-CBS Ind	112.6	112.7	75.6	
NORWAY				
Oslo SE	197.06	198.74	102.22	
SINGAPORE				
Straits Times	834.33	836.08	758.15	
SOUTH AFRICA				
Gold	771.0	761.3	638.2	
Industrials	803.1	808.4	677.7	
SPAIN				
Madrid SE	126.67	126.02	107.03	
SWEDEN				
J & P	1422.33	1410.33	792.09	
SWITZERLAND				
Swiss Bank Ind	350.6	350.7	267.3	
WORLD				
Capital Int'l	181.1	180.5	148.2	
GOLD (per ounce)				
	Nov 15	Prev	Yr ago	
London	\$383.125	\$382.125		
Frankfurt	\$383.50	\$382.75		
Zurich	\$383.50	\$382.50		
Paris (filing)	\$383.77	\$383.41		
Luxembourg (filing)	\$383.00	\$382.85		
New York (Nov)	\$382.90	\$382.80		
COMMODITIES				
	Nov. 15	Prev	Yr ago	
(London)				
Silver (spot filing)	610.50p	601.50p		
Copper (cash)	\$335.75	\$318.50		
Coffee (Nov)	\$1882.00	\$1885.50		
Oil (spot Arabian light)	\$28.20	\$28.30		

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- Banca Commerciale Italiana
- Creditanstalt-Bankverein
- Deutsche Bank AG
- Midland Bank plc
- Société Générale de Banque Generale Bankmaatschappij
- Société Générale

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Then there's European Asian Bank (Eurasbank). Headquartered in Hamburg, it has branches in Bangkok, Bombay, Colombo, Hong Kong, Jakarta, Karachi, Kuala Lumpur, Lahore, Macau, Manila, Seoul, Singapore and Taipei.

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# CUMBRIA

DECEMBER 9, 1983

**INTRODUCTION:** Cumbria is the second largest county in England and Wales. Though it is a mainly rural area, good communications provided by the M6 motorway, the main West Coast London to Edinburgh rail line and services from Carlisle Airport provide a solid foundation for industry. An unemployment rate lower than the national average masks the economic problems of West Cumbria which has suffered industrial shrinkage. The Survey will examine new initiatives designed to bolster the country's economy.

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The size, contents and publication dates of all Surveys are subject to change at the discretion of the Editor

Continued on Page 35



عمره ١٢ سنة

Continued on Page 36

## Continued from Page 34

**Continued on Page 36**

Sales figures have no effect on Yearly height and level (note: the previous 52 weeks plus the current weeks, but not the latest 52 trading days). Where a split or stock dividend amounting to 25% or more of the current share count is declared, the current dividend is shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration.

a-dividend also extra's b-annual rate of dividend plus stock dividend c-equivalent dividend (so-called "a new year's dividend") d-dividend in present year e-dividend in previous year f-dividend in Canadian funds, subject to 15% non-residence tax g-dividend declared after split-up or stock dividend h-dividend declared before split-up or stock dividend i-dividend declared at dividend meeting j-dividend declared or paid this year k-an accumulative issue with dividends in arrears l-new issue in the past 52 weeks The high-low range begins with the start of trading on the first day of the year m-dividend declared or paid in preceding 12 months plus stock dividend n-stock split Dividends begins with date of split n-splits 1:1 stock split o-dividend declared or paid in preceding 12 months plus stock dividend p-dividend declared or paid in preceding 12 months plus stock dividend q-dividend or e-dividend or e-distribution date r-new year's issue s-trading market w-bankruptcy or receivership or being in receivership t-dividend declared or paid in preceding 12 months plus stock dividend u-dividend declared or paid in preceding 12 months plus stock dividend v-dividend declared or paid in preceding 12 months plus stock dividend w-dividend declared or paid in preceding 12 months plus stock dividend x-dividend declared or paid in preceding 12 months plus stock dividend y-dividend declared or paid in preceding 12 months plus stock dividend z-dividend declared or paid in preceding 12 months plus stock dividend















## OIL AND GAS—Continued

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**MINES—continued**

High	Low	Stock	Prior	±	Net	Div	Yld
289	134	WACAL 20c	10				
52	32	Allstate Expts N.L.	40				
40	9	Mutuals, Mil. 20c	24				
52	20	General Resources	30				
25	60	Black Mt. Mins.	30				
45	51	Wharton Corp.	30				
372	20	Waco, Ind. 10c	144				
372	20	Waco Ind. 20c	144				
372	20	Waco Ind. 30c	144				
372	20	Waco Ind. 40c	144				
372	20	Waco Ind. 50c	144				
372	20	Waco Ind. 60c	144				
372	20	Waco Ind. 70c	144				
372	20	Waco Ind. 80c	144				
372	20	Waco Ind. 90c	144				
372	20	Waco Ind. 100c	144				
372	20	Waco Ind. 110c	144				
372	20	Waco Ind. 120c	144				
372	20	Waco Ind. 130c	144				
372	20	Waco Ind. 140c	144				
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372	20	Waco Ind. 210c	144				
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372	20	Waco Ind. 610c	144				
372	20	Waco Ind. 620c	144				
372	20	Waco Ind. 630c	144				</

**TES**

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## PLANTATIONS

Rubbers, Palm Oil						
Commodity	Price	% Chg	Unit	Price	% Chg	Unit
Latex-indonesias 20	120	+0	130	0	3.6	
Latex-indonesias 25	120					
Latex-indonesias 30	127		0.88	0	1.0	
Latex-indonesias 35	125		1.00	1.0	3.4	
Latex-indonesias 40	195	+1	1.00	1.0	3.4	
Latex-indonesias 45	195					
Latex-indonesias 50	312					
Latex-indonesias 55	154		0.024	2	1.9	
Latex-indonesias 60	97	+1	0.015	2	1.4	
Latex-indonesias 65	89	+1	0.012	2	2.0	
Latex-indonesias 70	287		0.02	1.2	4.0	
Latex-indonesias 75	112		0.072	2	0.9	
Latex-indonesias 80	190	+1	0.018	1.3	0.5	
Latex-indonesias 85	190	+1	0.01	0	1.7	
Latex-indonesias 90	190					
Latex-indonesias 95	190					
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## MINES

Central Rand					
Urban Deep R1	£151	+1	—	—	—
East Rand Prop R1	943	-3	—	—	—
Indone'n Est. R2	£54	-1	1100c	28	77
Owner & Jack RO 02	330	+10	—	—	—
Est Rand R1	472	-2	1020c	52	25

Eastern Rail			
Modern 90c ..	212	+4	
Modern Modern Sc	202	+1	

U Dappa R1	280	+1	—	—	—
U G R0.50	472	+2	0.62%	2.5	7.0
U Dattiel 25c	943	+20	trailing	2.0	7.2
U Gross R1	112	+	0.187%	0	8.8
U Siale 65c	229	+4	0.5%	0	25.1
U Siale R0.25	233	+11	0.041%	0.9	9.5
U African La 35c	387	+11	0.75%	0.9	11.4
U Afente in 70c	195	—	0.45%	1.0	13.5
U Belhaak R1	124	+1	0.411%	0	9.9

Far West Rand

Door 25c	943	+19	0270c	1,31	16.8
Hf-R1	£304	+3	0590c	16	11.1
Referral RO 20	280	+5	010c	35	2.1
Refundante R1	£132	+1	0200c	27	0.7
Refundante R1	£204	+1	0285c	14	1.3
Refund Gld 20c	75H	+19	015c	33	1.2
Refund R1	246	+4	067c	0	1.6
Refund R1	£434	+19	0760c	17	10.2
Refund Gold R1	£2912	+3	0330c	16	6.6

... ..	1224	+14
... ..	1351	+12
... ..	1384	...
... ..	1681	+12

Western R1	943	+3	0180c	2.1	11.2
Western Areas R1	377	+1	0100c	7.8	1.6
Western Deep R2	132	+1	0395c	1.6	7.2
Indian R1	809	-29	0128c	1.6	9.3

O.F.S.					
State Dev. 50c	510	+25	050c	1.6	5.0
6.6 Gerdul 50c	£251 <sup>part</sup>	+4	0455c	6	11.3

Whimby 30c .....	E128	+ 1/2
Praine R1 .....	366	+ 17
rs. Brand 50c .....	E254	+ 1/2

St. Stearns 50c	127 1/2	+ 1/2	45 3/4	•	11 1/2
Helena R1	121 1/2	•	70 1/2	2 7/8	11 1/4
Self	96 0	+ 1/2	0 11 1/2	•	6 1/8
from 50c	82 1/2	+ 11	1 7 1/2	•	12 1/4
Holdings 50c	128 1/2	+ 1/2	96 0	•	14 0

### Finance

Corp SA 51 50c	125	•	110 7 1/2	•	3 0
Am Corp 50c	115 1/2	•	114 1/2	•	6 3/4

glo Amer. 10c	611 1/2	+ 1/4
g. Am. Gold R2	670 1/2	+ 1 1/2
plasma! 50c	635 1/2	

Porter Cons. 2p	236	-1	11.0	6.6
Gold Fields	487	-1	24.5	7.2
At Rand Cons. 10p	22		9.15	7.5
Imbel R1	£10		10.130	7.6
Imbel 40c	£15	+4	10.175c	6.0
Imbel Fields 5.A. 5c	£13	+5	10.00c	4.5
Imbel Cons. R2	£79	+3	06.50c	4.8
Imbel Wrt 25c	975	+8	08.0c	4.8
Imbel 10c	413	+10	08.0c	3.0

WHL 50c.....	487	.....
and London 15c.	240	.....
and London 15c.	240	.....

Bullion Propd. Yr	636	.....	Q28C	3	5.2
Anal. Cons. Ld R1	128	.....	Q29B	6	6.5
gets 2½%	160	.....	GQ16c	15	5.9

### Diamond and Platinum

Jewelry-Am. Inv. 50c	164	.....	Q590c	2½	5.4
Beers Df. 5c....	520	+4	Q377c	3.2	4.2
Pl. 40c Pl. RS.	925	.....	Q200c	x	12.7
Plat. Plat 2½	700	-2K	QR5c	1 1/8	4.7

... 12 1/2c...	515	+25
... 10c...	665	+30

Central African					
mean Rh 50c....	180	...	+070c	9.2	23.9
white Col. Z51	16	...	+05c	0.7	4
in Cr. 3800.24..	14	...	—	—	—

## REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency

Altair Int. 20p	62	Fun 13% 97/02	195%
Bdg'wrr Int 50p	295	Alliance Can	65
Craig & Rose 1	118p	Armon	285%
Fundly Plg 5p	37	Carroll IP 1	99
Hydron Brew	85	Concrete Prods	80
Hill (Jos) 25p	910	Hendon (Hldg) 1	17
I.O.M. Sum. 11	127	Irish Ropes	140
	BRISMA	Jacob	79%
Euth 12% 1985	199%	T & B	85
Mar 93% 84/09	180%	Unidure	75

## OPTIONS

### 3-month Call Rates

Alfred Lyons	13	Hour of Fraser	26	Unit Drapery	22
BOC Grp.	29	I.C.I.	45	Vickers	12
B.S.R.	20	"Impos"	11	Wealworth Hld.	30
Babcock	15	I.C.L.	7		
Barclays Bank	45	Ladbroke	22	Property	
Beecham	32	Legal & Gen	45	Br 4. Land	84
Blue Circle	45	Lea Service	32	Cap. Countr.	14
Bons	16	Lloyds Bank	48	Land Sec.	28
	27	"Lohs"	4	MEPC	20
		London Park	10		

Lucas Inch . . .	15
"Matts" . . .	14
Mick & Sener . .	20

Barton Ord. ....	35	Midland Bank ..	40	Oil
Calhoun .....	11	N. E. I. ....	10	
Courtside .....	10	Nat. West. Bank	55	Br. Petroleum... 30

Delebrams	14	P & O/D	23	Durham Oil	17
Distributors	26	Plattery	19	Chatterhall	9
Dunlop	6	Racial Elect.	28	NCA	6
English Star	45	R.H.M.	7	Premier	6
F.N.F.C.	52	Rant. Org. Ord.	20	Shell	55
Gen. Accident	42	Reed Intnl	32	Tr. Central	21
Gen. Electric	28	Sears	8	Ultramar	65
Gas Co.	75	T.I.	13		
Gravel Mkt.	30	Taco	17	Adams	

Trusthouse	16
Turner & Newall	7
Widener	70

A selection of Options traded is given on the  
London Stock Exchange Report page

**"Recent Issues" and "Rights" Page 39**  
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security



**ET UNIT TRUST INFORMATION SERVICE**[illegible]

### Insurances—continued

<b>Albany Life Assurance Co Ltd</b>			<b>Managed</b>			<b>113</b>			<b>119</b>			<b>+1.5</b>			<b>Scottish Provident Institution</b>		
<b>B. Derrin, Lenn, Potters Bar</b>			<b>0707-42311</b>			<b>Current Profit</b>			<b>190.0</b>			<b>190.0</b>			<b>£ 52 Andrews St, Edinburgh</b>		
<b>Equity Plan</b>			<b>501.8</b>			<b>Deposits</b>			<b>100.0</b>			<b>100.0</b>			<b>Mixed</b>		
<b>Phoenix Plan</b>			<b>855.7</b>			<b>Deposits</b>			<b>100.0</b>			<b>100.0</b>			<b>International</b>		
<b>Phoenix Plan</b>			<b>822.9</b>			<b>Deposits</b>			<b>100.0</b>			<b>100.0</b>			<b>Phoenix</b>		
<b>Phoenix Plan</b>			<b>822.9</b>			<b>Deposits</b>			<b>100.0</b>			<b>100.0</b>			<b>Phoenix</b>		
<b>Phoenix Plan</b>			<b>822.9</b>			<b>Deposits</b>			<b>100.0</b>			<b>100.0</b>			<b>Phoenix</b>		
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<b>Phoenix Plan</b>			<b>822.9</b>			<b>Deposits</b>			<b>100.0</b>			<b>100.0</b>					

Gold Inc	59.31	9.81xd	....	12.0
Gold Acc	57.71	8.13	....	—
Dollar Inc	58.95	9.30xd	....	13.5

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# What went wrong with the 'Brazilian Boom'?

The recently published Management Report, **THE INTERNATIONAL FINANCIAL CRISIS: LESSONS OF THE BRAZILIAN CRISIS**, is the most extensive report yet produced on the implications of the Brazilian problem. —

It presents a thorough and up-to-date analysis of this rapidly changing and complex problem, points to flaws in the international financial system and describes the pressures for reform that are now building up.

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## OFFSHORE AND OVERSEAS

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COMMODITIES AND AGRICULTURE

Olive oil subsidies to be reduced

By Ivo Dawmay in Brussels

EEC Agriculture Ministers yesterday agreed to reduce olive oil subsidies for 1994. The new rate will be 32 per cent on last year's ECU 76.67 aid.

Wholesale rate

The new rate, which is paid to wholesalers to hold down retail prices, amounts to a cut of about 32 per cent on last year's ECU 76.67 aid.

However, the non-producer states pointed out that recent substantial rises in the prices of competitive oils would iron out any imbalance in the relative cost of olive oil.

Research budget

The Council of Agriculture Ministers also agreed yesterday on an ECU 30m budget for agricultural research over the next five-year period after the UK had expressed strong opposition to the commission's proposal of a ECU 65m package.

The British claimed that the ECU 19.7m paid over the past five years should rise to just ECU 25m to compensate for inflation, but was prepared to settle the matter at the compromise figure.

European zinc producers raise price for sixth time

By JOHN EDWARDS, COMMODITIES EDITOR

ANOTHER RISE in the European zinc producer price from \$925 to \$950 a tonne was announced yesterday by the West German smelter, Metallgesellschaft.

This is the sixth increase in the European zinc producer price since May when the price was raised to \$780 after having been cut by \$50 to \$750 in February.

Meanwhile, on the London Metal Exchange zinc values jumped yesterday to the highest level for nine years. Cash zinc gained \$8.75 to \$295.5 a tonne, although the market came back

sharply in late after-hours trading on profit taking. The strength of the London Metal Exchange zinc market, which has rallied strongly since falling back earlier this month, has encouraged producers to lift their prices once again.

So has the continued shortage of special high grade zinc supplies, which has been the main driving force behind the general market rise.

It therefore seems inevitable that other producers will follow this modest increase.

Last month Noranda, which lifted its price to \$935, had to come back to \$880 when other producers settled for the lower figure.

But now the firm trend on the LME, and tightness of supplies in North America, have paved the way for a move to \$950.

Copper prices also advanced strongly on the London Metal Exchange yesterday. The higher grade cash price rose by \$17.25 to \$935.75 a tonne. The advance was encouraged by the firm trend in gold and the move by Asarco to lift its U.S. domestic price by 1 cent to 66 cents a lb.

Traders said that the recent low levels plumed in both London and New York had brought in bargain hunting buyers in an oversold market.

Aluminium followed the uptrend in copper. The cash price gained \$14.5 to \$1,023.5 a tonne. Cash nickel also moved up by \$36 to \$5,082.5 a tonne.

Cocoa reaches 2-month highs

By Richard Mooney

COCOA VALUES on the London futures market moved strongly yesterday to the highest levels for two months.

The \$48 tonne rise in the March quotation re-established the recent uptrend which had been interrupted by Monday's \$23 decline. Dealers thought it was mainly chart-inspired activity on the market remained only moderate.

They noted, however, that there was a distinct lack of current season supplies coming through onto the market. What offers there were were for 1994/95 season delivery, and these were not numerous.

A further bullish influence was the Nigerian drought. So far most talk has been of grain and cattle losses but if it persists the drought will inevitably affect cocoa supplies for next season.

THE WORLD Wheat Championship silver trophy has been awarded to Sidney C. Banks Ltd of Bedfordshire for a sample of Simco wheat.

EEC SKIMMED milk powder production rose to a record 2.39m tonnes in 1992/93 from 2.06m tonnes the previous year.

INCREASED investment in Soviet agriculture has been badly used and failed to produce the expected results, according to the Council of Ministers of the USSR.

JAPAN and the United States resume talks today on Japan's whaling and its fishing operations in the U.S. 200-mile fishery zone.

CZECHOSLOVAKIA's grain harvest was a record 11.04m tonnes, up from last year's 10.27m tonnes.

More emphasis on fostering agriculture

By PAUL CHESBRIGHT

SIGNIFICANT CHANGES in the way the EEC handles its food aid were forehanded yesterday when the Council of Ministers decided to shift the emphasis away from the distribution of surplus supplies to the fostering of agriculture in the Third World.

The council passed a resolution noting that food aid must be aimed into development policies of the recipient countries. Therefore, the EEC will have to discuss policy with the developing countries in question to work out a strategy to adopt.

The EEC is already working on food strategy programmes with Mali, Kenya and Rwanda and is having talks with Zambia and possible co-operation. A key element of the programmes is ensuring that local farmers receive enough for their production to encourage them to produce more.

But surplus disposal is still very much part of the scene, Mr Timothy Raison, the UK Minister for Overseas Development, said after the meeting.

Last year, food aid, which accounts for roughly half of EEC development aid, was a cost to the agricultural budget of Ecu \$56.9m, against Ecu \$60.9m in 1991. Over half of these sums went on milk products.

The new resolution of the council stresses the need to improve "the qualitative criteria" of food aid. It the British view of surplus milk products.

Mr Raison yesterday argued this case against the opposition of the dairy producers—France, Ireland and Denmark—and the matter was resolved only when the European Commission agreed to make a study of all forms of food aid.

The general tone of the council's decision was a move away from food aid. "We have pressed for an emphasis on agricultural development and not food without thought," said Mr Raison.

Estimates push up U.S. maize values

By Nancy Dunne in Washington

TIGHT SUPPLIES of maize and plentiful wheat stock have reversed the traditional relationship in the December prices on the Chicago Board of Trade.

In early trading yesterday after the release of new supply and demand estimates from the Department of Agriculture (USDA), December maize had soared to \$3.55 per bushel, 10c higher than the wheat contract.

Maize could rise still higher, USDA said yesterday, that as a result of smaller than expected supplies and a skimpier carryover for 1993-94 of about 512m bushels (of 56 lb each)—13m tonnes—a range of \$3.40 to \$3.80 per bushel is projected.

Grain analysts in Chicago, however, believe that the "premium" for maize will not extend to contracts in later months because southern hemisphere supplies will be harvested in the spring, and maize farmers, in the absence of an attractive acreage reduction programme, are preparing to return to "fencepost to fencepost" planting.

USDA expects livestock producers to feed cheap wheat this year at a record level of 10m tonnes. Forecast of the feed use of sorghum and barley have also been raised significantly from last month. Sorghum by 6 per cent to 13m tonnes and barley by 17 per cent to a record 7m tonnes.

Production problems in several countries have altered the world corn outlook for 1993-94. USDA forecast global output at 63.5m tonnes, down 1.4m from its estimates last month and 2.4m below last year. Meanwhile, consumption may total about 69.5m tonnes.

The trade in the USA is also altered. A USDA reduction in Soviet wheat production estimates and an increase is expected in coarse grain production.

Move to take pressure off southern herring grounds

By IVO DAWMAY IN BRUSSELS

PROPOSALS AIMED at temporarily opening up waters in the northern and central sectors of the North Sea to herring fishing in an attempt to take pressure off southern herring grounds were submitted by the EEC Commission yesterday.

The plan, which is expected to be endorsed by member states next week, confines the arrangement strictly to the period up to December 15, when it is hoped fishery ministers will reach a comprehensive agreement on 1994 herring quotas.

The commission emphasised yesterday that the proposal does not allow additional tonnage to be fished, but merely redistributes to other waters a proportion of the current 60,000 tonnes allowed to be caught in the southern sector under existing agreements.

Scientific research conducted by the community has indicated that hails from this sector should be confined to central sectors of the North Sea to prevent damage to stocks.

Under the commission's plan 24,000 tonnes could be caught in the northern and central sectors.

The proposal was welcomed yesterday by Mr Michael Jopling, the UK Agricultural Minister, as a "helpful and sensible" measure. But he added that the move had little bearing on the forthcoming negotiations on longer term quotas to be debated next month.

Broad agreement on the plan was indicated by most member states yesterday, though the French, West German and Belgian Ministers said they would need to consult their Governments before giving their consent.

Norway and Russia discuss fish stocks

By Faye Gietler in Oslo

NORWAY AND Russia have begun talks in Moscow on 1994 catch regulations and quotas for the various fish stocks in the Barents Sea, Norwegian Sea and North East Atlantic.

These are mainly arctic cod, haddock and capelin.

Cod and capelin stocks are now low following several years of over-fishing that international marine biologists have recommended halving catch quotas for both next year.

This would mean cutting the total quota for cod to 150,000 tonnes, from 340,000 this year, and that for capelin to 1.1m tonnes from 2.3m tonnes.

The actual catch of cod so far up to 15th Nov has been 250,000 tonnes, of which the Norwegians have taken 230,000 tonnes.

PRICE CHANGES

(In tonnes unless stated otherwise)	Nov. 15 1993	+ or -	Month ago
Aluminium	21000		21050
Copper	19150	+30	19180
Gold	358.75	+0.25	358.50
Lead	1915.00	+0.25	1914.75
Nickel	5085.00	+10.00	5075.00
Platinum	1250.00	+0.25	1249.75
Silver	508.00	+0.25	507.75
Steel	100.00		100.00
Wheat	180.00		180.00
Yield	180.00		180.00

BRITISH COMMODITY PRICES

BASE METALS	Nov. 15 1993	+ or -	Month ago
Aluminium	21000		21050
Copper	19150	+30	19180
Gold	358.75	+0.25	358.50
Lead	1915.00	+0.25	1914.75
Nickel	5085.00	+10.00	5075.00
Platinum	1250.00	+0.25	1249.75
Silver	508.00	+0.25	507.75
Steel	100.00		100.00
Wheat	180.00		180.00
Yield	180.00		180.00

AMERICAN MARKETS

NEW YORK, November 15	Nov. 15 1993	+ or -	Month ago
Aluminium	21000		21050
Copper	19150	+30	19180
Gold	358.75	+0.25	358.50
Lead	1915.00	+0.25	1914.75
Nickel	5085.00	+10.00	5075.00
Platinum	1250.00	+0.25	1249.75
Silver	508.00	+0.25	507.75
Steel	100.00		100.00
Wheat	180.00		180.00
Yield	180.00		180.00

LONDON OIL SPOT PRICES

CRUDE OIL—FOB (per barrel)	Nov. 15 1993	+ or -	Month ago
Arabian Light	28.10	+0.10	28.00
Arabian Heavy	27.80	+0.08	27.72
Brent Blend	28.00	+0.10	27.90
North Sea Brent	28.10	+0.10	28.00
West Texas Intermediate	28.20	+0.10	28.10

GAS OIL FUTURES

Nov. 15 1993	+ or -	Month ago
Nov	24.50	24.40
Dec	24.60	24.50
Jan	24.70	24.60
Feb	24.80	24.70
Mar	24.90	24.80
Apr	25.00	24.90
May	25.10	25.00
Jun	25.20	25.10
Jul	25.30	25.20
Aug	25.40	25.30
Sep	25.50	25.40
Oct	25.60	25.50
Nov	25.70	25.60
Dec	25.80	25.70
Jan	25.90	25.80
Feb	26.00	25.90
Mar	26.10	26.00
Apr	26.20	26.10
May	26.30	26.20
Jun	26.40	26.30
Jul	26.50	26.40
Aug	26.60	26.50
Sep	26.70	26.60
Oct	26.80	26.70
Nov	26.90	26.80
Dec	27.00	26.90
Jan	27.10	27.00
Feb	27.20	27.10
Mar	27.30	27.20
Apr	27.40	27.30
May	27.50	27.40
Jun	27.60	27.50
Jul	27.70	27.60
Aug	27.80	27.70
Sep	27.90	27.80
Oct	28.00	27.90
Nov	28.10	28.00
Dec	28.20	28.10
Jan	28.30	28.20
Feb	28.40	28.30
Mar	28.50	28.40
Apr	28.60	28.50
May	28.70	28.60
Jun	28.80	28.70
Jul	28.90	28.80
Aug	29.00	28.90
Sep	29.10	29.00
Oct	29.20	29.10
Nov	29.30	29.20
Dec	29.40	29.30
Jan	29.50	29.40
Feb	29.60	29.50
Mar	29.70	29.60
Apr	29.80	29.70
May	29.90	29.80
Jun	30.00	29.90
Jul	30.10	30.00
Aug	30.20	30.10
Sep	30.30	30.20
Oct	30.40	30.30
Nov	30.50	30.40
Dec	30.60	30.50
Jan	30.70	30.60
Feb	30.80	30.70
Mar	30.90	30.80
Apr	31.00	30.90
May	31.10	31.00
Jun	31.20	31.10
Jul	31.30	31.20
Aug	31.40	31.30
Sep	31.50	31.40
Oct	31.60	31.50
Nov	31.70	31.60
Dec	31.80	31.70
Jan	31.90	31.80
Feb	32.00	31.90
Mar	32.10	32.00
Apr	32.20	32.10
May	32.30	32.20
Jun	32.40	32.30
Jul	32.50	32.40
Aug	32.60	32.50
Sep	32.70	32.60
Oct	32.80	32.70
Nov	32.90	32.80
Dec	33.00	32.90
Jan	33.10	33.00
Feb	33.20	33.10
Mar	33.30	33.20
Apr	33.40	33.30
May	33.50	33.40
Jun	33.60	33.50
Jul	33.70	33.60
Aug	33.80	33.70
Sep	33.90	33.80
Oct	34.00	33.90
Nov	34.10	34.00
Dec	34.20	34.10
Jan	34.30	34.20
Feb	34.40	34.30
Mar	34.50	34.40
Apr	34.60	34.50
May	34.70	34.60
Jun	34.80	34.70
Jul	34.90	34.80
Aug	35.00	34.90
Sep	35.10	35.00
Oct	35.20	35.10
Nov	35.30	35.20
Dec	35.40	35.30
Jan	35.50	35.40
Feb	35.60	35.50
Mar	35.70	35.60
Apr	35.80	35.70
May	35.90	35.80
Jun	36.00	35.90
Jul	36.10	36.00
Aug	36.20	36.10
Sep	36.30	36.20
Oct	36.40	36.30
Nov	36.50	36.40
Dec	36.60	36.50
Jan	36.70	36.60
Feb	36.80	36.70
Mar	36.90	36.80
Apr	37.00	36.90
May	37.10	37.00
Jun	37.20	37.10
Jul	37.30	37.20
Aug	37.40	37.30
Sep	37.50	37.40
Oct	37.60	37.50
Nov	37.70	37.60
Dec	37.80	37.70
Jan	37.90	37.80
Feb	38.00	37.90
Mar	38.10	38.00
Apr	38.20	38.10
May	38.30	38.20
Jun	38.40	38.30
Jul	38.50	38.40
Aug	38.60	38.50
Sep	38.70	38.60
Oct	38.80	38.70
Nov	38.90	38.80
Dec	39.00	38.90
Jan	39.10	39.00
Feb	39.20	39.10
Mar	39.30	39.20
Apr	39.40	39.30
May	39.50	39.40
Jun	39.60	39.50
Jul	39.70	39.60
Aug	39.80	39.70
Sep	39.90	39.80
Oct	40.00	39.90
Nov	40.10	40.00
Dec	40.20	40.10
Jan	40.30	40.20
Feb	40.40	40.30
Mar	40.50	40.40
Apr	40.60	40.50
May	40.70	40.60
Jun	40.80	40.70
Jul	40.90	40.80
Aug	41.00	40.90
Sep	41.10	41.00
Oct	41.20	41.10
Nov	41.30	41.20
Dec	41.40	41.30
Jan	41.50	41.40
Feb	41.60	41.50
Mar	41.70	41.60
Apr	41.80	41.70
May	41.90	41.80
Jun	42.00	41.90
Jul	42.10	42.00
Aug	42.20	42.10
Sep	42.30	42.20
Oct	42.40	42.30
Nov	42.50	42.40
Dec	42.60	42.50
Jan	42.70	42.60
Feb	42.80	42.70
Mar	42.90	42.80
Apr	43.00	42.90
May	43.10	43.00
Jun	43.20	43.10
Jul	43.30	43.20
Aug	43.40	43.30
Sep	43.50	43.40
Oct	43.60	43.50
Nov	43.70	43.60
Dec	43.80	43.70
Jan	43.90	43.80
Feb	44.00	43.90
Mar	44.10	44.00
Apr	44.20	44.10
May	44.30	44.



## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar little changed in subdued trading

The dollar showed little overall change in foreign exchange trading yesterday. It remained underpinned by Middle East tension and fears of higher U.S. interest rates, but with many people already holding long dollar positions, there was little incentive to push it higher. Monday's larger than expected fall in U.S. money supply was for the time being ignored as a market factor.

Sterling remained on the sidelines in very dull trading, showing little change on the day.

**DOLLAR** — Trade weighted index (Bank of England) 127.9 against 127.8 on Monday. The dollar has been appreciating steadily in recent weeks and is once again threatening the recent levels touched in August. Growing tension around the world is supporting the currency but an equal factor is speculation that an expected surge in money supply will combine with inflationary pressures from strong economic recovery to prevent an easing in Federal Reserve monetary policy. The dollar closed at DM 2.6785 from DM 2.6780 and SwFr 2.1610 from SwFr 2.1605. Against the yen it finished at ¥234.85 from ¥234.55 and FFf 1.6120 from FFf 1.6115.

**STERLING** — Trading range against the dollar in 1983 is

1.6245 to 1.6540. October average 1.6377. Trade weighted index 149.7, unchanged all day and compared with 149.0 on Monday and 148.9 six months ago. The pound has drifted slightly against the dollar but has improved with the latter against Continental currencies. This trend has been encouraged by unsettled conditions in the Middle East and the threat to western oil supplies, plus fading hopes of cuts in clearing bank base rates.

Sterling traded in a very narrow range against the dollar of \$1.4520-1.4590. It closed at \$1.4550-1.4560, a rise of just 5 points from Monday.

Against the yen, the D-mark was virtually unchanged at DM 3.9775 from DM 3.9765 and SwFr 3.2125 compared with SwFr 3.2145. Against

the yen it eased marginally to ¥348.55 from ¥348.60 but rose against the French franc to FFf 12.09 from FFf 12.0750.

**D-MARK** — Trading range against the dollar in 1983 is 2.7315 to 2.8320. October average 2.8625. Trade-weighted index 123.5 against 123.6 six months ago. The D-mark is losing ground to the dollar once again and could threaten the 10-year low touched in August. Although German interest rates are relatively firm, partly reflecting concern about money supply growth, expectations that U.S. interest rates will remain high, coupled with Middle East tension, have returned the dollar to favour.

The dollar was fixed at DM 2.6774 yesterday in Frankfurt, up from DM 2.6681 on

Monday. Middle East tension and an overall weakness of the D-mark were behind the dollar's firmer trend with Monday's larger-than-expected fall in U.S. money supply failing to have much impact. The D-mark was very weak against the yen, with the latter rising to DM 1.1420 per ¥100 from DM 1.1385 on Monday to touch its highest level since yen tensions began in Frankfurt in 1983. Sterling was unchanged at DM 3.9770, as was the Belgian franc at DM 4.526 per BFf 100.

**ITALIAN LIRA** — Trading range against the dollar in 1983 is 1.6157 to 1.743. October average 1.6322. Trade-weighted index 49.5 against 51.2. The lira has fallen to record lows against the dollar this summer and has recently shown a weaker tendency within the EMS, based on demand and a stronger D-mark.

The lira lost ground against the dollar at yesterday's fixing in Milan but was generally steady against its EMS partners. The dollar was higher at L1.6212 compared with L1.6182, while the D-mark slipped to L1.0555 from L1.0575. The French franc was also lower at L1.0905 from L1.0922. Elsewhere sterling eased to L2.40545 from L2.40565, but the Swiss franc improved to L745.55 from L745.67.

## EMS EUROPEAN CURRENCY UNIT RATES

Country	Unit	Rate	% change	% change	Overseas
ECU	against ECU	Nov 15/83	Nov 15/83	Nov 15/83	Nov 15/83
Belgium	Franc	44.8000	0.0000	+0.00	+0.00
France	Franc	163.3333	0.0000	+0.00	+0.00
Germany	Mark	2.363636	0.0000	+0.00	+0.00
Italy	Lira	2.363636	0.0000	+0.00	+0.00
Netherlands	Guilder	2.363636	0.0000	+0.00	+0.00
Spain	Peseta	166.6667	0.0000	+0.00	+0.00
UK	Pound	0.787564	0.0000	+0.00	+0.00
Yugoslavia	Dinar	23.6364	0.0000	+0.00	+0.00

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## OTHER CURRENCIES

Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
Argentina	Peso	25.47-25.57	17.891-17.911	17.891-17.911	17.891-17.911
Australia	Dollar	1.5110-1.5120	1.0645-1.0655	1.0645-1.0655	1.0645-1.0655
Canada	Dollar	1.2300-1.2310	1.2300-1.2310	1.2300-1.2310	1.2300-1.2310
Denmark	Krone	1.3600-1.3610	1.3600-1.3610	1.3600-1.3610	1.3600-1.3610
Finland	Markka	5.9400-5.9410	5.9400-5.9410	5.9400-5.9410	5.9400-5.9410
France	Franc	163.3333	163.3333	163.3333	163.3333
Germany	Mark	2.363636	2.363636	2.363636	2.363636
Greece	Drachma	34.0000	34.0000	34.0000	34.0000
India	Rupee	11.5000	11.5000	11.5000	11.5000
Iran	Rial	100.0000	100.0000	100.0000	100.0000
Japan	Yen	100.0000	100.0000	100.0000	100.0000
Korea	Won	100.0000	100.0000	100.0000	100.0000
Malaysia	Ringgit	1.0000	1.0000	1.0000	1.0000
Netherlands	Guilder	2.363636	2.363636	2.363636	2.363636
New Zealand	Dollar	1.5110-1.5120	1.0645-1.0655	1.0645-1.0655	1.0645-1.0655
Portugal	Escudo	200.0000	200.0000	200.0000	200.0000
Saudi Arabia	Riyal	5.0000	5.0000	5.0000	5.0000
South Africa	Rand	1.5110-1.5120	1.0645-1.0655	1.0645-1.0655	1.0645-1.0655
Switzerland	Franc	2.363636	2.363636	2.363636	2.363636
Taiwan	New Taiwan Dollar	1.5110-1.5120	1.0645-1.0655	1.0645-1.0655	1.0645-1.0655
Thailand	Baht	1.5110-1.5120	1.0645-1.0655	1.0645-1.0655	1.0645-1.0655
UK	Pound	0.787564	0.787564	0.787564	0.787564
USA	Dollar	1.0000	1.0000	1.0000	1.0000
Yugoslavia	Dinar	23.6364	23.6364	23.6364	23.6364

\* Selling rates.

## THE POUND SPOT AND FORWARD

Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
U.S.	1.4520-1.4590	1.4520-1.4590	0.04-0.05	0.04-0.05	0.04-0.05
Canada	1.2300-1.2310	1.2300-1.2310	0.00-0.01	0.00-0.01	0.00-0.01
France	1.6300-1.6310	1.6300-1.6310	0.00-0.01	0.00-0.01	0.00-0.01
Germany	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Italy	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Netherlands	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Spain	166.6667	166.6667	0.00-0.01	0.00-0.01	0.00-0.01
Sweden	1.5110-1.5120	1.5110-1.5120	0.00-0.01	0.00-0.01	0.00-0.01
Switzerland	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Yugoslavia	23.6364	23.6364	0.00-0.01	0.00-0.01	0.00-0.01

Belgium rate is for convertible franc. Financial franc 81.30-81.40. Six-month forward, dollar 0.48-0.53c, 12-month 1.00-1.10c, dia.

## CURRENCY MOVEMENTS

Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
U.S.	1.4520-1.4590	1.4520-1.4590	0.04-0.05	0.04-0.05	0.04-0.05
Canada	1.2300-1.2310	1.2300-1.2310	0.00-0.01	0.00-0.01	0.00-0.01
France	1.6300-1.6310	1.6300-1.6310	0.00-0.01	0.00-0.01	0.00-0.01
Germany	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Italy	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Netherlands	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Spain	166.6667	166.6667	0.00-0.01	0.00-0.01	0.00-0.01
Sweden	1.5110-1.5120	1.5110-1.5120	0.00-0.01	0.00-0.01	0.00-0.01
Switzerland	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Yugoslavia	23.6364	23.6364	0.00-0.01	0.00-0.01	0.00-0.01

Belgium rate is for convertible franc. Financial franc 81.30-81.40. Six-month forward, dollar 0.48-0.53c, 12-month 1.00-1.10c, dia.

## CURRENCY RATES

Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
U.S.	1.4520-1.4590	1.4520-1.4590	0.04-0.05	0.04-0.05	0.04-0.05
Canada	1.2300-1.2310	1.2300-1.2310	0.00-0.01	0.00-0.01	0.00-0.01
France	1.6300-1.6310	1.6300-1.6310	0.00-0.01	0.00-0.01	0.00-0.01
Germany	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Italy	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Netherlands	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Spain	166.6667	166.6667	0.00-0.01	0.00-0.01	0.00-0.01
Sweden	1.5110-1.5120	1.5110-1.5120	0.00-0.01	0.00-0.01	0.00-0.01
Switzerland	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Yugoslavia	23.6364	23.6364	0.00-0.01	0.00-0.01	0.00-0.01

Belgium rate is for convertible franc. Financial franc 81.30-81.40. Six-month forward, dollar 0.48-0.53c, 12-month 1.00-1.10c, dia.

## EXCHANGE CROSS RATES

Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15	Nov. 15
U.S.	1.4520-1.4590	1.4520-1.4590	0.04-0.05	0.04-0.05	0.04-0.05
Canada	1.2300-1.2310	1.2300-1.2310	0.00-0.01	0.00-0.01	0.00-0.01
France	1.6300-1.6310	1.6300-1.6310	0.00-0.01	0.00-0.01	0.00-0.01
Germany	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Italy	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Netherlands	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Spain	166.6667	166.6667	0.00-0.01	0.00-0.01	0.00-0.01
Sweden	1.5110-1.5120	1.5110-1.5120	0.00-0.01	0.00-0.01	0.00-0.01
Switzerland	2.363636	2.363636	0.00-0.01	0.00-0.01	0.00-0.01
Yugoslavia	23.6364	23.6364	0.00-0.01	0.00-0.01	0.00-0.01

## MONEY MARKETS

## UK rates unchanged

UK clearing bank base lending rate 9 per cent (since October 4 and 5)

Interest rates were virtually unchanged in very quiet trading in London yesterday. There appeared to be a marked absence of any fresh moves to reinforce any trend with the two factors uppermost in most people's minds being Christmas and the possibility of a small cut in base rates before then.

Overnight interbank money opened at 8 1/2-9 1/4 per cent and touched a high of 11 per cent and a low of 9 per cent. Funds were well bid at the lower levels despite the Bank's forecast of a modest shortage.

The Bank of England forecast a shortage of around £20m, with factors affecting the market including maturing assistance and a take up of Treasury bills draining £170m and Exchequer transactions adding £100m. There was no assistance given in the morning and the forecast was then revised to a flat position. However the Bank gave assistance in the afternoon of £28m, comprising purchases of £12m of eligible bank bills in band 2 (15-35 days) at 9 per cent and £17m of eligible

bank bills in band 3 (34-63 days) at 8 1/2 per cent. The Bank also provided a late round of assistance totalling around £28m. In Frankfurt call money was again trading between 5 1/2 per cent and 5 3/4 per cent with demand for funds accelerated slightly ahead of today's public

holiday in West Germany. Banks now appear to be well placed to meet this month's reserve asset requirements.

In Brussels the rate on four-month Belgian Treasury bonds was left unchanged at 9 1/2 per cent following yesterday's auction. Interest rates had been

holding firm recently in response to the Belgian franc's decline against some of its EMS partners. However there has been a small improvement over the last day or two and the authorities will be unwilling to increase interest rates to defend the franc unless it is unavoidable.

U.K. and Ireland are quoted in U.S. currency. Forward rates and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible franc. Financial franc 81.30-81.40.

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## Eurodollars weak

Eurodollars weakened on the London International Financial Futures Exchange yesterday despite the much better than expected U.S. money supply figures announced on Monday. The fall of \$2.5bn in M1, compared with market forecasts in the region of \$500m, took the aggregate figure below the Federal Reserve's target range, but the more widely based M2 and M3 figures remain fairly near to the top of the range, and the market also expects this to be the last of the major falls in M1. It is anticipated that the narrowly defined weekly figure could rise by at least \$2.5bn at this Friday's announcement, and that M1 will continue on an upward path for the rest of this year.

**LONDON**

THREE-MONTH EURODOLLAR  
Six months of 100%  
Dec 83 89.84 89.84 89.84 89.84  
Jan 84 89.84 89.84 89.84 89.84  
Feb 84 89.84 89.84 89.84 89.84  
Mar 84 89.84 89.84 89.84 89.84  
Apr 84 89.84 89.84 89.84 89.84  
May 84 89.84 89.84 89.84 89.84  
Jun 84 89.84 89.84 89.84 89.84  
Jul 84 89.84 89.84 89.84 89.84  
Aug 84 89.84 89.84 89.84 89.84  
Sep 84 89.84 89.84 89.84 89.84  
Oct 84 89.84 89.84 89.84 89.84  
Nov 84 89.84 89.84 89.84 89.84  
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Jan 85 89.84 89.84 89.84 89.84  
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Mar 85 89.84 89.84 89.84 89.84  
Apr 85 89.84 89.84 89.84 89.84  
May 85 89.84 89.84 89.84 89.84  
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Oct 85 89.84 89.84 89.84 89.84  
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Dec 85 89.84 89.84 89.84 89.84  
Jan 86 89.84 89.84 89.



New Issue  
November, 1983

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## ASIAN DEVELOPMENT BANK

U.S. \$ 100,000,000  
11 3/4% U.S. Dollar Bonds of 1983/1993

Deutsche Bank Aktiengesellschaft	Credit Suisse First Boston Limited	Swiss Bank Corporation International Limited
Algemene Bank Nederland N.V.	Lehman Brothers Kuhn Loeb International, Inc.	Merrill Lynch International & Co.
Nomura International Limited	Orion Royal Bank Limited	Salomon Brothers International
Union Bank of Switzerland (Securities) Limited	S.G. Warburg & Co. Ltd.	
Amro International Limited	Arnold and S. Blachroeder, Inc.	Atlantic Capital Corporation
Julius Baer International Limited	Baden-Württembergische Bank Aktiengesellschaft	Banca Commerciale Italiana
Banca Nazionale del Lavoro	Bank of America International Limited	Bank für Gemeinwirtschaft Aktiengesellschaft
Bank Gutzwiller, Kurz, Buegner (Overseas) Limited	Bank Leu International Ltd.	Bank of Tokyo International Limited
Bankers Trust International Limited	Benque Bruxelles Lambert S.A.	Banque Française du Commerce Extérieur
Banque Générale du Luxembourg S.A.	Banque Internationale à Luxembourg S.A.	Banque Nationale de Paris
Banque de Neufilize, Schlumberger, Maillet Baring Brothers & Co., Limited	Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft	Banque Populaire Suisse S.A. Luxembourg Joh. Benenberg, Gossler & Co.
Berliner Bank Aktiengesellschaft	Berliner Handels- und Frankfurter Bank	Blyth Eastman Paine Webber International Limited
Chase Manhattan Limited	Chemical Bank International Limited	Citicorp International Bank Limited
Commerzbank Aktiengesellschaft	Compagnie de Banque et d'Investissements, CBI	Crédit Commercial de France
Crédit Lyonnais	Creditanstalt-Bankverein DB Finance (Hong Kong) Ltd.	Daiwa Europe Limited Delbrück & Co.
Deutsche Girozentrale	DB Bank	Domestic Securities Areas Limited
Deutsche Kommunalsbank - Aktiengesellschaft	Deutsche Genossenschaftsbank	Enskilda Securities
Eurobank S.p.A.	Effektenbank-Württemberg Aktiengesellschaft	Skandinaviska Enskilda Limited
Genossenschaftliche Zentralbank AG Vienna	European Banking Company Limited	First Chicago Limited
Goldman Sachs International Corp.	Antony Gibbs & Sons Ltd.	Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
Hessische Landesbank - Girozentrale -	Hamburgische Landesbank - Girozentrale -	Georg Hauck & Sohn Bankiers Kommanditgesellschaft auf Aktien
International Limited	Hill Samuel & Co. Limited	E.F. Hutton International Inc.
Kleinwort, Benson Limited	Istituto Bancario San Paolo di Torino	Kidder, Peabody International Limited
Lloyds Bank International Limited	Kreditbank S.A. Luxembourgaise	Landesbank Rheinland-Pfalz - Girozentrale -
MacLeod Young Weir International Limited	LYCIB International Limited	Manufacturers Hanover Limited
Mitsubishi Finance International Limited	Merck, Finck & Co.	B. Metzger, Seel, Sohn & Co.
Morgan Guaranty Ltd	Samuel Montagu & Co. Limited	Morgan Grenfell & Co. Limited
The Nikko Securities Co. (Europe) Ltd.	Morgan Stanley International	New Japan Securities Europe Limited
Norddeutsche Landesbank Girozentrale	Nippon Credit International (HK) Ltd.	Nippon Kangyo Kakumaru (Europe) Limited
N.M. Rothschild & Sons Limited	Sal. Oppenheim Jr. & Co.	Prudential-Bache Securities
Smith Barney, Harris Upham & Co. Incorporated	S.J. Henry Schroder Wegg & Co. Limited	Schröder, Münchmeyer, Hengst & Co.
Standard Chartered Merchant Bank	Société Générale	Société Générale de Banque S.A.
Thinkaus & Burkhart	Sumitomo Trust International Ltd.	Svenska International Limited
Westdeutsche Landesbank Girozentrale	Vereins- und Westbank Aktiengesellschaft	M.M. Werburg-Brockmann, Wirtz & Co.
	Wood Gundy Limited	Yamaichi International (Europe) Limited

## U.S. bonds puzzle for European dealers

By Mary Ann Sieghart in London

EUROBOND dealers in London were taken aback yesterday by the reaction of the New York bond market to Monday's \$2.5bn supply figures. These showed a \$2.5bn fall in M1 - much better than expected - yet the market did not improve.

As a result, the Eurodollar bond market drifted slightly downwards in a day of quiet trading and virtually no retail interest.

Nevertheless, SBC International announced that its two most recent issues - for ITT and British Columbia - would be increased. The ITT issue has been raised from \$100m to \$125m and the BC issue from \$100m to \$125m. This makes the British Columbia deal the largest in the Canadian dollar market's history.

Yesterday saw the launch of a \$100m deal for the World Bank, widely considered to be a test of the market's ability to absorb new issues, given the high volume of the new calendar. The 10-year bond has an 8 per cent coupon at a price of 99 1/4 and is led by Deutsche Bank.

It was extremely well-received, trading at a tiny 1/2 point discount, which encouraged dealers who had been worried about the impending flood of new issues.

Markets in both Switzerland and Germany were quiet, with prices closing unchanged.

Nihon Radiator, the car component manufacturer, is raising \$50m through a five-year convertible private placement with an indicated coupon of 3 1/2 per cent. Credit Suisse will be pricing the deal next Tuesday.

Meanwhile, Milofia is expected to launch a \$50m convertible private placement through UBS today.

G. J. Coles, Australia's largest retailer, made its debut in the Euro-markets yesterday with an A\$50m, five-year bond carrying a 13 1/2 per cent coupon at par. Orion Royal Bank is leading the deal with Goldman Sachs.

Spain is expected to tap the Samurai market for ¥15bn today through a 10-year bond yielding just over 8 per cent. Daiwa Securities will be the lead manager.

The World Bank also showed its popularity in the Euroyen market yesterday by pricing its ¥20bn, 10-year bond at 99 1/4, rather than the indicated 99 1/2. The coupon remains at 7 1/2 per cent to yield 7.53 per cent. Yamaichi Securities is leading the deal.

THE KOREA Development Bank signed a \$500m syndicated loan in Hong Kong yesterday at slightly more expensive terms but with less lender flexibility than in borrowings earlier this year.

The loan was split in two tranches, \$300m and \$200m but, unlike the Korea Exchange Bank syndication in the spring, lenders were not given a pricing option.

The \$300m tranche was priced at 0.75 per cent over the London interbank offered rate for the first six years and 0.875 per cent for the remaining two years of the loan.

The \$200m tranche was arranged at 0.2 per cent over the U.S. prime rate for the full eight years. Acting as agents for the syndication are the Industrial Bank of Japan and Morgan Guaranty Bank of New York.

A total of 33 banks participated in the syndication with a heavy representation from Japanese banks. Among the 11 co-ordinators were Chase Manhattan Bank Asia, Morgan Guaranty, Chemical Bank, Bank of Tokyo and Midland Bank.

The Korea Development Bank, which traditionally approaches international capital markets at this time of year, has returned to normal volume for its loan. Last year, because of nervousness in international capital markets, the bank raised only \$300m.

## WORLD ECONOMIC INDICATORS

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## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for November 15.

U.S. DOLLAR	Amount	Rate	Yield	Change
STRAIGHT	100	8 1/4	8 1/4	0
Amro 10 1/4 85	100	10 1/4	10 1/4	0
Australia 10 1/4 85	200	9 3/4	9 3/4	0
Canada 10 1/4 85	100	9 3/4	9 3/4	0
France 10 1/4 85	100	9 3/4	9 3/4	0
Germany 10 1/4 85	100	9 3/4	9 3/4	0
Italy 10 1/4 85	100	9 3/4	9 3/4	0
Japan 10 1/4 85	100	9 3/4	9 3/4	0
Spain 10 1/4 85	100	9 3/4	9 3/4	0
Sweden 10 1/4 85	100	9 3/4	9 3/4	0
Switzerland 10 1/4 85	100	9 3/4	9 3/4	0
UK 10 1/4 85	100	9 3/4	9 3/4	0
US 10 1/4 85	100	9 3/4	9 3/4	0
World 10 1/4 85	100	9 3/4	9 3/4	0
Yield	100	9 3/4	9 3/4	0
Change	100	9 3/4	9 3/4	0
Amro 10 1/4 85	100	10 1/4	10 1/4	0
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Canada 10 1/4 85	100	9 3/4	9 3/4	0
France 10 1/4 85	100	9 3/4	9 3/4	0
Germany 10 1/4 85	100	9 3/4	9 3/4	0
Italy 10 1/4 85	100	9 3/4	9 3/4	0
Japan 10 1/4 85	100	9 3/4	9 3/4	0
Spain 10 1/4 85	100	9 3/4	9 3/4	0
Sweden 10 1/4 85	100	9 3/4	9 3/4	0
Switzerland 10 1/4 85	100	9 3/4	9 3/4	0
UK 10 1/4 85	100	9 3/4	9 3/4	0
US 10 1/4 85	100	9 3/4	9 3/4	0
World 10 1/4 85	100	9 3/4	9 3/4	0
Yield	100	9 3/4	9 3/4	0
Change	100	9 3/4	9 3/4	0

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Italy 10 1/4 85	100	9 3/4	9 3/4	0
Japan 10 1/4 85	100	9 3/4	9 3/4	0
Spain 10 1/4 85	100	9 3/4	9 3/4	0
Sweden 10 1/4 85	100	9 3/4	9 3/4	0
Switzerland 10 1/4 85	100	9 3/4	9 3/4	0
UK 10 1/4 85	100	9 3/4	9 3/4	0
US 10 1/4 85	100	9 3/4	9 3/4	0
World 10 1/4 85	100	9 3/4	9 3/4	0
Yield	100	9 3/4	9 3/4	0
Change	100	9 3/4	9 3/4	0
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Australia 10 1/4 85	200	9 3/4	9 3/4	0
Canada 10 1/4 85	100	9 3/4	9 3/4	0
France 10 1/4 85	100	9 3/4	9 3/4	0
Germany 10 1/4 85	100	9 3/4	9 3/4	0
Italy 10 1/4 85	100	9 3/4	9 3/4	0
Japan 10 1/4 85	100	9 3/4	9 3/4	0
Spain 10 1/4 85	100	9 3/4	9 3/4	0
Sweden 10 1/4 85	100	9 3/4	9 3/4	0
Switzerland 10 1/4 85	100	9 3/4	9 3/4	0
UK 10 1/4 85	100	9 3/4	9 3/4	0
US 10 1/4 85	100	9 3/4	9 3/4	0
World 10 1/4 85	100	9 3/4	9 3/4	0
Yield	100	9 3/4	9 3/4	0
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